NEW ISSUE—BOOK-ENTRY ONLY **RATING: NOT RATED – SEE "RATING" HEREIN**

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, subject to compliance with certain tax-related covenants, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes except as described under "TAX MATTERS" herein, and the Bonds and the interest thereon are exempt from all taxation provided by the laws of the State of Michigan except for estate taxes and taxes on gains realized from the sale, payment or other disposition of such Bonds. See "TAX MATTERS" herein.

$8,885,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE AND REFUNDING BONDS
(BLACK RIVER PUBLIC SCHOOL PROJECT), SERIES 2006

Dated: Date of Delivery **Due:** As shown on inside cover

The Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 (the "Bonds") will be issued by the Michigan Public Educational Facilities Authority (the "Issuer") as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. See "THE BONDS – Book-Entry-Only System."

The proceeds of the Bonds will be used to purchase the municipal obligation (the "Municipal Obligation") issued by Black River Public School (the "Academy"). Proceeds from the sale of the Bonds will be used to (i) provide funds to the Academy to acquire, construct, furnish and equip the Project (as defined herein); (ii) provide funds to the Academy to make a deposit under the Escrow Agreement (as defined herein) to advance refund the Existing Indebtedness To Be Discharged (as defined herein); (iii) fund a debt service reserve fund; and (iv) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation and the refunding of the Existing Indebtedness To Be Discharged. Principal of, interest and premium, if any, on the Bonds, and any Additional Bonds (as defined herein), are payable solely from funds pledged under a Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Indenture"), including the Academy's payments (the "Academy Repayments") due under both the Municipal Obligation and the Financing Agreement between the Issuer and the Academy (the "Financing Agreement").

Interest on the Bonds will accrue from the date of delivery and will be payable semi-annually on each March 1 and September 1, commencing March 1, 2007. Principal of and interest on the Bonds will be paid by the corporate trust office of Wells Fargo Bank, N.A., the Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to DTC. Disbursements of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to optional, mandatory and extraordinary redemption as described in this Official Statement. The Bonds denoted as Special Sinking Fund Bonds on the inside front cover of this Official Statement are subject to special sinking fund redemption as described herein. See "THE BONDS – Redemption of Bonds Prior to Maturity" herein.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY REPAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY REPAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, GRAND VALLEY STATE UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, GRAND VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS" HEREIN.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption "RISK FACTORS" herein.

The Bonds are offered when, as and if issued by the Issuer and received and accepted by the Underwriter and subject to the approval of legality by Dykema Gossett PLLC, Lansing, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters will be passed upon by Collins & Blaha, P.C., Farmington Hills, Michigan, as counsel to the Academy and by Dykema Gossett PLLC, Lansing, Michigan as Underwriter's Counsel. It is expected that the Bonds in book-entry form will be available for delivery against payment therefor on or about July 25, 2006.

Fifth Third Securities, Inc.

Dated: July 13, 2006

MATURITY SCHEDULE

Serial Bonds

Maturity	Principal Amount	Interest Rate	Yield	CUSIP
September 1, 2007	$135,000	4.875%	4.870%	594569 BE4
September 1, 2008	190,000	4.950	4.970	594569 BF1
September 1, 2009	195,000	5.000	5.010	594569 BG9
September 1, 2010	210,000	5.050	5.060	594569 BH7
September 1, 2011	215,000	5.125	5.110	594569 BJ3
September 1, 2012	230,000	5.150	5.150	594569 BK0
September 1, 2013	245,000	5.200	5.210	594569 BL8
September 1, 2014	250,000	5.250	5.280	594569 BM6
September 1, 2015	265,000	5.350	5.340	594569 BN4
September 1, 2016	280,000	5.400	5.390	594569 BP9

Term Bonds

$1,000,000	Term Bonds due September 1, 2019	Interest Rate 5.500 %	Yield 5.510 %	CUSIP: 594569 BQ7
$1,110,000	Term Bonds due September 1, 2022	Interest Rate 5.500 %	Yield 5.610 %	CUSIP: 594569 BR5
$4,035,000	Term Bonds due September 1, 2030	Interest Rate 5.800 %	Yield 5.720* %	CUSIP: 594569 BS3

*Yield to September 1, 2016 call date.

Special Sinking Fund Bonds

$525,000 5.450% Special Sinking Fund Bonds Due September 1, 2031—Yield 5.590% CUSIP: 594569 BT1

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Academy, or the Underwriter to give any information or to make any representation with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy and, there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The descriptions of the documents in the Official Statement are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Trustee assumes no responsibilities for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE ISSUER (WITH RESPECT TO THE INFORMATION UNDER THE CAPTION "THE ISSUER" ONLY), THE ACADEMY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

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OFFICIAL STATEMENT

$8,885,000
MICHIGAN PUBLIC EDUCATIONAL
FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE AND REFUNDING BONDS
(BLACK RIVER PUBLIC SCHOOL PROJECT), SERIES 2006

INTRODUCTION

This Official Statement (including the cover page and Exhibits) is provided to furnish information in connection with the issuance and sale by the Michigan Public Educational Facilities Authority (the "Issuer") of its Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 in the aggregate principal amount of $8,885,000 (the "Bonds"). The Bonds will be limited obligations of the Issuer as described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Bonds will be issued under a Trust Indenture, dated as of July 1, 2006 (the "Indenture"), between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Trustee"). The proceeds of the Bonds will be used to purchase the School Building and Site and Refunding Bond dated as of July 25, 2006 (the "Municipal Obligation") issued by Black River Public School (the "Academy") pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended. Proceeds from the sale of the Bonds will be used to (i) provide funds to the Academy to acquire, construct, furnish and equip the Project (as defined below); (ii) provide funds to the Academy to make a deposit under the Escrow Agreement (as defined below) to advance refund the Existing Indebtedness To Be Discharged (as defined below); (iii) fund a debt service reserve fund; and (iv) provide funds to pay certain costs relating to the issuance of the Bonds and the issuance of the Municipal Obligation and the refunding of the Existing Indebtedness To Be Discharged. Principal of, interest and premium, if any, on the Bonds are payable solely from funds pledged under a Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Indenture"), including the Academy's payments (the "Academy Repayments") due under both the Municipal Obligation and the Financing Agreement between the Issuer and the Academy (the "Financing Agreement").

The Bonds are payable, on a parity basis with any Additional Bonds (as defined herein), solely from the revenues pledged therefor under the Indenture, including the Academy's payments (the "Academy Repayments") due under both the Municipal Obligation and the Financing Agreement dated as of July 1, 2006 between the Issuer and the Academy (the "Financing Agreement").

In order to ensure that the Academy will meet its obligations to make the Academy Repayments, the Academy has assigned a portion (not exceeding twenty percent (20%)) of the State School Aid to be received by the Academy from the State of Michigan (the "Direct Payments") and other funds pledged by the Academy under the Indenture. Pursuant to the State Aid Agreement (the "State Aid Agreement") dated as of July 1, 2006, by and among the Academy, the Trustee, the Issuer, Grand Valley State University, as authorizing body and fiscal agent for the Academy, and the State Treasurer, the Direct Payments are to be paid to the Trustee and used to pay the Bonds. The Bonds will be further secured by a mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the facilities comprising the Project and the Academy's current school facility (the "Mortgage") and by an Environmental Indemnification Agreement granting the Trustee certain rights regarding environmental issues with respect to the Project (the "Environmental Indemnification Agreement").

PLAN OF FINANCING

The Bonds are being issued pursuant to a financing plan for the Academy that includes both a project-financing component and a refunding component. The proceeds from the sale of the Municipal Obligation, along with other available funds, will be applied to each component of the financing plan as described below, as well as to pay costs related to the issuance of the Bonds and the Municipal Obligation and the costs related to the refunding of the Existing Indebtedness To Be Discharged.

Project Financing Component

The "Project" consists of (i) the construction, furnishing and equipping an approximately 20,000 square foot building to house a gymnasium, cafeteria and music program facilities and (ii) the renovation and equipping of the Academy's current school facilities.

Refunding Component

The "Existing Indebtedness To Be Discharged" consists of the outstanding $5,770,000 Full Term Certificates of Participation, Series 2000, Evidencing Proportionate Interests of the Owners thereof in a Financing Agreement with Black River Public School (a Michigan Public School Academy), of which $5,440,000 remains outstanding. A portion of the proceeds of the Bonds will be deposited in an escrow account pursuant to the provisions of an escrow deposit agreement between the Academy and U.S. Bank Corporate Trust Services, as escrow agent, to be dated as of July 1, 2006 (the "Escrow Agreement"). Pursuant to the terms of the Escrow Agreement, the amounts deposited thereunder will be invested in Government Obligations (as defined in the Escrow Agreement) and will be used to pay the principal of and interest on the Existing Indebtedness To Be Discharged on February 1, 2010.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY REPAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY (20%) PERCENT OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY REPAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, GRAND VALLEY STATE UNIVERSITY (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, GRAND VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. SEE "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" AND "RISK FACTORS" HEREIN.

THE ISSUER

The Issuer is a public body corporate and politic of the State of Michigan (the "State"), created by Executive Order 2002-3, compiled at §12.192 of the Michigan Compiled Laws, and is housed within the Michigan Department of Treasury. The Issuer was established for, among other purposes, the purpose of lending money to public school academies within the State for financing or refinancing the acquisition, construction and equipping of public school facilities and for other purposes. In order to effectuate such purposes, the Issuer is authorized to issue its bonds or notes and to make money available to public school academies by the purchase of, among other things, Municipal Obligations or making loans to a nonprofit corporation for the benefit of a public school academy.

The Issuer is governed by a Board of Trustees (the "Board"). The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and continue to serve until successors are appointed and file the oath of office. The members of the Board are:

Ganesh V. Reddy, Chairperson	Director of Business Development-Government HTC Global Services, Inc. Troy, Michigan
Mark J. Burzych	Partner Foster, Swift, Collins & Smith, P.C. Lansing, Michigan

Timothy A. Hoffman	Director of Regulatory Affairs Consumers Energy Jackson, Michigan
Robert J. Kleine	State Treasurer Lansing, Michigan
David S. Mittleman	Partner Church, Kritselis & Wyble, P.C. Lansing, Michigan

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture are those of the Issuer and not of any member of the Board or any officer or employee of the Issuer in his or her individual capacity and that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Issuer or any person executing the Bonds.

The Issuer is housed within the State Department of Treasury but exercises its statutory functions independently of the State Treasurer. The Issuer's address is Richard H. Austin State Office Building, 430 West Allegan Street, 1st Floor, Lansing, Michigan 48933, and its telephone number is (517) 335-0994.

The Executive Director of the Issuer is Thomas J. Letavis.

The Bonds are limited obligations of the Issuer as described in this Official Statement. The Issuer is not generally liable on the Bonds or on any other obligation incurred by the Issuer under the Indenture or the Financing Agreement. The Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Issuer or the credit or taxing power of the State of Michigan. The Bonds are limited obligations of the Issuer, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Official Statement, the Indenture and the Financing Agreement. No owner of any Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Bond out of any funds to be raised by taxation. The Issuer has no taxing power.

The Issuer has not prepared any material for inclusion in this Official Statement except the matters under the heading "THE ISSUER." The distribution of this Official Statement has been duly approved and authorized by the Issuer. Such approval and authorization do not, however, constitute a representation of approval by the Issuer of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

THE ACADEMY

The Academy is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code, Michigan Compiled Laws ("M.C.L.") § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq.

The Academy began operations in 1996 as a public school academy. The Academy's mission is to prepare each student for college and for life through a challenging curriculum which accommodates individual learning styles. The Academy utilizes the Montessori system of education for its elementary grade students and an interdisciplinary curriculum encompassing world culture, literature, history and geography for middle school students. The high school curriculum continues the advancement by ability and interest concept of the middle and elementary schools. Graduation requirements mirror those suggested by the University of Michigan for college-bound students.

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the "Charter") with the Grand Valley State University ("GVSU") Board of Trustees, its authorizing body. The GVSU

Board of Trustees recently advised the Academy that its charter was automatically renewed for an additional year beyond the charter's June 18, 2006 anniversary date.

For additional information regarding the Academy, see "EXHIBIT A – BLACK RIVER PUBLIC SCHOOL."

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds, together with other available funds, will be used to (i) provide funds to the Academy to acquire, construct, furnish and equip the Project; (ii) provide funds to the Academy to make a deposit under the Escrow Agreement to advance refund the Existing Indebtedness To Be Discharged; (iii) fund a debt service reserve fund; and (iv) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation and the refunding of the Existing Indebtedness To Be Discharged.

Sources of Funds:	
Bond Proceeds (Par Amount)	$8,885,000.00
Transfers from Debt Service Reserve Fund and the Debt Service Payment Fund for the Existing Indebtedness To Be Discharged	678,190.91
Net Original Issue Premium/(Discount)	22.90
Total Sources:	$9,563,213.81
Uses of Funds:	
Deposit to Project Fund	$2,600,000.00
Deposit pursuant to Escrow Agreement	5,955,730.85
Deposit to Debt Service Reserve Fund	696,367.50
Costs of Issuance (including Underwriter's discount)*	311,115.46
Total Uses:	$9,563,213.81

*Includes estimated costs for legal, accounting, trustee, printing and other expenses relating to the issuance of the Bonds and the Municipal Obligation and the refunding of the Existing Indebtedness To Be Discharged.

THE BONDS

General

The Bonds will be issuable as fully registered bonds without coupons in denominations of $100,000 or any integral multiple of $5,000 in excess thereof ("Authorized Denominations"). The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2007 (each an "Interest Payment Date").

Interest on the Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Bonds will be made upon surrender of the Bonds at the office of the Trustee. Payments of interest on the Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Bonds subsequent to the Record Date and prior to such Interest Payment Date. The "Record Date" means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in the Indenture.

Redemption of Bonds Prior to Maturity

Optional Redemption

The Bonds maturing on or prior to September 1, 2012 are NOT subject to optional redemption prior to maturity. The Bonds maturing on September 1, 2013 and thereafter, other than the Special Sinking Fund Bonds, are subject to redemption at the option of the Academy in whole or in part on any day commencing on or after September 1, 2012, which date shall be the first day for which notice of redemption may be given under the Indenture at the redemption prices plus accrued interest to the redemption date as set forth below:

Redemption Period	Redemption Price
September 1, 2012 to August 31, 2013	102.0%
September 1, 2013 to August 31, 2014	101.5
September 1, 2014 to August 31, 2015	101.0
September 1, 2015 to August 31, 2016	100.5
September 1, 2016 and thereafter	100.0

Mandatory Sinking Fund Redemption

The Bonds maturing September 1, 2019, are subject to mandatory sinking fund redemption on September 1, 2017 and on each September 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

Term Bonds Maturing
September 1, 2019

Date	Principal Amount
September 1, 2017	$315,000
September 1, 2018	335,000
September 1, 2019**	350,000

** Maturity Date

The Bonds maturing September 1, 2022, are subject to mandatory sinking fund redemption on September 1, 2020, and on each September 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

Term Bonds Maturing
September 1, 2022

Date	Principal Amount
September 1, 2020	$350,000
September 1, 2021	370,000
September 1, 2022**	390,000

** Maturity Date

The Bonds maturing September 1, 2030, are subject to mandatory sinking fund redemption on September 1, 2023, and on each September 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts on deposit in the Revenue Fund established pursuant to the Indenture as follows:

Term Bonds Maturing
September 1, 2030

Date	Principal Amount
September 1, 2023	$415,000
September 1, 2024	435,000
September 1, 2025	460,000
September 1, 2026	495,000
September 1, 2027	515,000
September 1, 2028	545,000
September 1, 2029	575,000
September 1, 2030**	595,000

** Maturity Date

Special Sinking Fund Redemption

The Bonds identified as Special Sinking Funds Bonds on the inside cover page of this Official Statement (the "Special Sinking Fund Bonds") will be subject to special sinking fund redemption in whole or in part prior to maturity (and by lot within a maturity), at a redemption price of 100% of the principal amount plus interest accrued to the redemption date, on March 1, 2007 and on each subsequent September 1 and March 1 prior to maturity, but only to the extent funds are deposited in the Redemption Account of the Bond Fund. Notwithstanding the foregoing, no Special Sinking Fund Bond will be redeemed if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. The Special Sinking Fund Bonds will also be subject to optional redemption at the option of the Academy in whole, or in part, on any date on or after September 1, 2012 at a redemption price of par plus accrued interest to the date of redemption.

The Academy has started a Capital Fundraising Campaign to retire debt, and has received pledges for future contributions. The Academy has pledged to deposit the contributions that it receives from such pledges, on January 15 and July 15 of each year, starting January 15, 2007, with the Trustee. Based on the non-binding pledges and the time periods specified by the donors making such non-binding pledges, the Academy anticipates receiving sufficient contributions to redeem the Special Sinking Fund Bonds in full on or before September 1, 2010. There can be no assurance, however, as to the monies that will be generated from the Academy's Capital Fundraising Campaign or the period of time over which any such monies will be raised. Additionally, under the Financing Agreement the Academy has the option to deposit additional capital fundraising contributions with the Trustee, and such deposits may result in earlier redemptions of the Special Sinking Fund Bonds.

Mandatory Redemption Upon Determination of Taxability

The Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability under the Indenture, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption From Insurance and Condemnation Proceeds

The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

Notices of Redemption

An authorized officer of the Issuer shall cause notice of each redemption to be given by the Bond Registrar and Paying Agent to the Registered Owner of any Bonds designated for redemption in whole or in part at the address as shall last appear upon the registration books maintained by the Bond Registrar and Paying Agent by mailing a copy of the redemption notice by first-class mail at least 30 days prior to the Redemption Date. The failure of the Bond Registrar and Paying Agent to give notice to an Owner or the failure of any Owner to receive notice, or any defect in such notice will not affect the validity of the redemption of any Bonds.

Upon surrender of any Bond in a denomination greater than the minimum Authorized Denomination, which Bond has been called for redemption in part only, the Issuer shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to, and otherwise the same as, the unredeemed portion of the Bond surrendered.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate in typewritten form will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO BONDHOLDERS, HOLDERS OR OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners. The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer assumes no responsibility for the accuracy thereof.

NEITHER THE ISSUER, THE ACADEMY, THE TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the Issuer and are payable, on a parity basis with any Additional Bonds, by the Issuer solely from the Academy Repayments due under both the Financing Agreement and the Municipal Obligation and other funds pledged under the Indenture. The Academy has pledged a portion of its State School Aid payments to pay the Academy Repayments and with respect to this pledge the Academy has entered into a State Aid Agreement dated as of July 1, 2006 relating to the intercept and/or advance of its State School Aid payments. The Bonds will be further secured by the Mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on the facilities comprising the Project.

THE BONDS AND ANY ADDITIONAL BONDS ARE PAYABLE SOLELY FROM THE ACADEMY REPAYMENTS AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY IN EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE ACADEMY'S REPAYMENTS. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, GRAND VALLEY STATE UNIVERSITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, GRAND VALLEY STATE UNIVERSITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER.

Additional Bonds

The Indenture permits the issuance of Additional Bonds (the "Additional Bonds"), which shall be secured on a parity basis with the Bonds, provided that the Academy satisfies certain covenants with respect to additional indebtedness. See "LIMITATION ON ADDITIONAL INDEBTEDNESS" below for a description of the terms and conditions under which the Academy may incur additional indebtedness.

The Financing Agreement and the Municipal Obligation

Under the Financing Agreement, the Issuer agrees to issue, sell and deliver the Bonds pursuant to the Indenture and cause the proceeds of the sale of the Bonds to be deposited with the Trustee and applied as contemplated by the Indenture. The Academy will pay periodic installments in the amounts and on the dates set forth in the Municipal Obligation and the Financing Agreement to the Trustee as assignee of the Issuer. The obligation of the Academy to pay the Bond Payments and Additional Payments (each as defined in the Financing Agreement) and all amounts required by the Municipal Obligation and the Financing Agreement are an absolute and unconditional general obligation of the Academy and are not subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. It is the intent and expectation of the Academy and the Issuer that the Bond Payments will be sufficient for the payment in full of the principal of and interest on the Bonds.

State School Aid Pledge

Pursuant to the Financing Agreement, the Academy has pledged the State School Aid payments to be received by it in each fiscal year from the State (the "Pledged State School Aid") to pay the Bond Payments due under the Financing Agreement; provided that the Pledged State School Aid applied by the Trustee under the Indenture on behalf of the Academy to pay Bond Payments under the Financing Agreement in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

The Academy agrees with the Issuer under the Financing Agreement that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that now in effect, the Issuer, by written notice to the Trustee, the State Treasurer, the Academy and its Authorizing Body may designate different payment dates (and, to the extent necessary, different payment amounts) to provide for timely receipt of Bond Payments consistent with such revised State School Aid payment schedule.

Direct Transfer of State School Aid for Payment of the Financing Agreement

Under the Financing Agreement the Academy has agreed to pay the Bond Payments and Additional Payments from the State School Aid to be allocated to it and payable to its Authorizing Body. The Issuer and the Academy in the Financing Agreement, and the Academy and its Authorizing Body in the State Aid Agreement, agree that the State Treasurer is irrevocably directed, starting in October, 2006, to transmit an amount approximately equal to 1/11 of the annual principal payments scheduled on the Bonds plus 1/11 of the annual interest obligation on the Bonds plus 1/11 of the Scheduled Fee Payments (as defined in the Financing Agreement) on or before the 20th of each January, February, March, April, May, June, July, August, October, November and December directly to the Trustee; provided, that the amounts transmitted in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy in such fiscal year.

If for any reason the amount held by the Trustee on the due date of any Bond Payment and Additional Payment is insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement, then in that event the Academy pledges to use any and all other available funds to satisfy that Bond Payment or Additional Payment obligation.

If, on the due date for any Academy Repayment, the funds with the Trustee are insufficient to pay the Bond Payment or Additional Payment due under the Financing Agreement, the Academy, pursuant to the State School Aid Act to the extent necessary to meet that payment obligation, assigns to the Issuer and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any State School Aid payment to be made to or for the Academy which is dedicated for distribution or for which the appropriation authorizing such payment has been made. Any such advance will be made directly to the Trustee and applied on the following priority basis: first, the amount required to pay the Bond Payment or Additional Payment due under the Financing Agreement shall be held and applied by the Trustee for that purpose; second, any other amounts owing to the Issuer by the Academy under its Financing Agreement when due shall be held and applied by the Trustee for that purpose; third, amounts due to the Trustee under the Indenture shall be held and applied for such purpose; and fourth, any remaining amount shall be immediately distributed to the Academy's Authorizing Body or as otherwise directed by the Issuer. The Financing Agreement provides that any such intercept and/or advance process with respect to the Academy shall continue until sufficient funds are deposited with the Trustee to pay all of the Academy's Bond Payments and Additional Payments due under the Financing Agreement. Notwithstanding the foregoing, no more than twenty (20%) percent of the State School Aid payments received by the Academy in each fiscal year may be legally available to pay scheduled principal and interest on the related Bonds through its Bond Payments due under the Financing Agreement.

State School Aid Source

The primary source of revenue received by the Academy is State School Aid which is a per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature.

See "EXHIBIT A – BLACK RIVER PUBLIC SCHOOL – State Aid Payments" for the Academy's State School Aid per pupil allowance for the 2000–01 through 2005-06 fiscal years.

Pursuant to the State School Aid Act, a public school academy's annual entitlement to State School Aid for the 2005-06 fiscal year shall be paid in installments equal to one-eleventh of such entitlement on the 20th (or if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately preceding regular business day) in each of the months of October through August, subject to certain statutory adjustments.

Pupil Membership Counts

State School Aid is paid to a public school academy on a per pupil basis. The State School Aid Act currently provides that pupil membership is based on a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. The State School Aid Act contains alternative methodologies for determining pupil counts for public school academies which have been in existence less than two years or which have suspended operations for one or more semesters. For school districts, including public school academies, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current September count and the following February supplemental count, all as determined by the Michigan Department of Education. None of the alternative methodologies for determining pupil counts currently apply to the Academy.

Legislative Changes in the State School Aid Act

The State School Aid Act may be modified by the Michigan Legislature, subject only to certain State constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State School Aid payments are subject to annual appropriation and future modification by the Michigan Legislature, subject only to such constitutional parameters.

The Reserve Fund

The Reserve Fund will be established pursuant to the Indenture and fully funded with proceeds from the Bonds in an amount equal to the Reserve Fund Requirement. The "Reserve Fund Requirement" means an amount equal to the lesser of (a) the maximum annual principal and interest requirements on the Bonds, (b) 125% of the average annual principal and interest requirements on the Bonds, or (c) 10% of the original principal amount of the Bonds (net of original issue discount). Monies held in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred by the Trustee to the credit of the Revenue Account of the Bond Fund and used to pay debt service on the Bonds.

The Mortgage and the Environmental Indemnification Agreement

As additional security for the Bonds, the Academy will deliver, and the Trustee will receive, a first mortgage lien, subject to permitted encumbrances, on the Project to secure the payment of the Academy's Bond Payments due under the Financing Agreement.

Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property, and second, to deposit any remaining amount into the State School Aid fund.

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. The Academy is aware of certain environmental issues relating to the Project and has obtained a Phase I Environmental Report regarding the Project. See "RISK FACTORS – Environmental Issues Regarding the Project" for a description of the Phase I Environmental Report. Additionally, the Academy has entered into the Environmental Indemnification Agreement with the Trustee regarding certain environmental issues with respect to the Project.

Certain Financial Information Concerning the State

Complete financial statements of all of the State's funds as included in the State's Comprehensive Annual Financial Report ("CAFR") prepared by the State's Office of the State Budget are available from the Office of the State Budget website at www.michigan.gov/budget. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually.

Limited Obligation

Neither the Issuer nor the State of Michigan nor Grand Valley State University shall be obligated to pay the Bonds or the interest thereon or other costs incident thereto, except that the Issuer shall be obligated to make such payments solely from the security for the Bonds described herein. Neither the faith and credit of the Issuer or of Grand Valley State University nor the taxing power of the State of Michigan is pledged to the payment of the principal of, premium, if any, or the interest on, the Bonds. The Bonds are not general obligations of the Issuer, but are limited obligations payable solely from certain amounts payable by the Academy under the Financing Agreement and other moneys pledged therefor under the Indenture. The Issuer has no taxing power.

PLAN OF REFUNDING

Description of the Existing Indebtedness To Be Discharged

A portion of the proceeds of the Bonds will be used by the Academy to advance refund the Existing Indebtedness To Be Discharged. The Existing Indebtedness To Be Discharged consists of the outstanding $5,770,000 Full Term Certificates of Participation, Series 2000, Evidencing Proportionate Interests of the Owners thereof in a Financing Agreement with Black River Public School (a Michigan Public School Academy) (the "Certificates"), of which $5,440,000 remains outstanding. The Certificates were issued for the purpose of financing the acquisition, improvement and equipping of the Academy's public school facility in Holland, Michigan.

Escrow Agreement

Pursuant to the terms of an Escrow Agreement (the "Escrow Agreement") to be entered into between the Academy and U.S. Bank Corporate Trust Services, as escrow trustee (the "Escrow Trustee"), the refunding of the Existing Indebtedness To Be Discharged will be effected by the Academy depositing with the Escrow Trustee into the escrow fund to be established pursuant to the Escrow Agreement (the "Escrow Fund"), certain proceeds of the Bonds and other amounts available under the trust agreement providing for the issuance of the Certificates, which will be used to purchase non-callable direct government obligations or held as cash.

The non-callable direct government obligations will bear interest at such rates, and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, sufficient money will be available therefrom to pay, when due, the principal of, premium if any, and interest becoming due on the Existing Indebtedness To Be Discharged. Principal of and interest on the non-callable direct government obligations in the Escrow Fund will be held in trust and used solely for the payment of the principal, redemption premium and interest on the Existing Indebtedness To Be Discharged.

The Escrow Trustee for the Escrow Fund will invest the funds deposited in the Escrow Fund in non-callable direct government obligations maturing in amounts and at such times and bearing such interest as will provide funds sufficient to pay the principal of, premium if any, and interest becoming due on the Existing Indebtedness To Be Discharged. The Escrow Trustee will be irrevocably directed to pay from the cash balances from time to time on deposit in the Escrow Fund, the required principal of and interest and redemption premiums, if any, on the Existing Indebtedness To Be Discharged.

CHARTER SCHOOLS IN MICHIGAN

General

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in the Revised School Code, § 380.501 – 380.507 of the Michigan Compiled Laws (M.C.L.). In Michigan, charter schools are known as public school academies. A public school academy is a state-supported public school that is funded through the State School Aid Act (1979 PA 94, as amended, M.C.L., 388.1601, *et. seq.*) and receives funding through a per pupil base allowance. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – State School Aid Source" herein.

According to the Michigan Association of Public School Academies ("MAPSA"), there were 216 public school academies serving approximately 82,000 students during the 2004-05 school year. More than 50% of charter students are minorities and 58% of them qualify for free- or reduced-price lunch. Nearly 85% of Michigan's public school academies had increased or steady enrollment for the 2003-04 school year, and more than two-thirds of those schools have waiting lists. About 9% of charter students have special needs.

Michigan Supreme Court Upholds Law

The Michigan Supreme Court ruled 5-1 on July 30, 1997 that Michigan's original public school academy law was constitutional. The Court ruled that "1993 PA 362 does not violate Constitution 1963, article 8 section 2 or section 3. Further, . . . the 1994 PA 416 repealer is valid and enforceable, requiring remand to the trial court for vacation of the injunction and entry of an order to the Department of Treasury to disburse funds to the public school academies operating under 1993 PA 362." *Council of Organizations and Others for Educ. about Parochiaid, Inc. v. Michigan Dept. of Educ. et. al.*, 455 Mich. 557, 556 N.W.2d 208 (Mich. 1997).

Michigan School Finance Reform

On June 15, 1994, the electors of the State of Michigan approved a ballot proposition ("Proposal A") to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all school districts.

LIMITATION ON ADDITIONAL INDEBTEDNESS

The Academy in the Financing Agreement will covenant that without the prior written consent of the Trustee at the direction of the holders of 51% of the Outstanding Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur other pecuniary obligations, except:

(a) obligations incurred in the ordinary course of business;

(b) state aid notes (including state aid note lines of credit) issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and

(c) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the applicable debt service on the Bonds for such year, shall not exceed 20% of the amount of the State School Aid payable to the Academy by the State in such fiscal year. For purposes of computing future projections of State School Aid, the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year shall be used.

RISK FACTORS

This Official Statement contains summaries of pertinent portions of the Bonds and the Indenture. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Speculative Investment

Purchase of the Bonds involves a high degree of risk and the Bonds are a speculative investment. The Bonds are not rated. See "RATING" below.

Sufficiency of Revenues

The Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture and as otherwise described therein. Based on present circumstances (i.e., its charter contract and operating history), and assuming additional enrollment and capacity after acquisition, construction and renovation of the Project, the Academy believes it will generate sufficient revenues to meet its obligations under the Indenture. However, the Academy's charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is the per pupil allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid Payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Delay in, Reduction, or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Bonds. The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the per pupil allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. In previous fiscal years, the State has applied across-the-board cuts to eliminate shortfalls which have resulted in a reduction of the Academy's per pupil allowance. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls.

Changes in Law

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes.

Further, the Michigan Legislature has amended the charter school laws since they were first enacted in 1993. Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Bonds, by withholding a percentage of the State School Aid payments if a charter school is deemed not to be in compliance with its charter or state and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a state body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has been projected, by revising the relative responsibilities between school districts and the State for financing schools (including charter schools) or by eliminating the authority for charter schools.

Environmental Issues Regarding the Project

The Project and surrounding site (for purposes of this section, the "Property") are subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the owner of the Project for investigating and remediating adverse environmental conditions on or relating to the Project, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Project. Costs incurred by the Academy with respect to environmental liability could adversely impact its financial condition and its ability to operate its school facilities.

The Property was formerly owned and operated by a series of entities, the latest of which was BASF Corporation; as the result of such operation, the Property became subject to regulation under the "Corrective Action" requirements of the Resource Conservation and Recovery Act ("RCRA") and comparable provisions of state law. BASF completed its corrective action obligations at the site which achieved a "limited residential" cleanup of the Property and involved, among other things, the excavation of impacted soils, the placement of an engineered barrier consisting of polypropylene geofabric material covered by nine inches of seeded topsoil over portions of the Property, the placement of permanent markers describing the restricted areas and land use restrictions, and the placement of a restrictive covenant on the Property prohibiting use of groundwater, requiring inspection and maintenance of the barrier and markers, and, among other things, requiring the Michigan Department of Environmental Quality ("MDEQ") approval of any redevelopment of the Property. In order to address its potential liability under Part 201 of the Michigan Natural Resources and Environmental Protection Act ("Part 201"), prior to acquiring the property from BASF, the Academy conducted and disclosed to MDEQ a Baseline Environmental Assessment ("BEA") in February 2000. To address the due care requirements of Part 201, and to ensure compliance with the restrictive covenant, the Academy entered into an Agreement for Limited Residential Remedial Action with the MDEQ in August 2003. A Corrective Measures Implementation Report ("CMIR"), was prepared by Arcadis Giffels, LLC, of Southfield, Michigan, ("Arcadis") in June 2003. In connection with its development of the Property, the Academy believes that it has complied with its various obligations under the laws and documents described.

Environmental Resources Management, Inc. of Holland, Michigan ("ERM") performed a Phase I Environmental Site Assessment Update (the "Phase I Update") of the Project and surrounding site. The assessment was undertaken to identify areas of potential environmental concern or evidence of chemical contamination within the limits of the Project and site and/or as visually observed immediately adjacent to such property. In its report dated June 14, 2006 (the "Phase I Update Report"), ERM stated that the Phase I Update revealed evidence of the following apparent "Recognized Environmental Conditions" ("RECs") (defined as "the presence or likely presence of hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property, excluding *de minimis* conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies") within the site of the Project:

- Past soil and groundwater investigations have documented metals, polynuclear aromatic hydrocarbons, and volatile organic compounds in the Project's soil and/or groundwater. Exposure risks are being controlled by physical barriers and a restrictive covenant.
- Apparent underground storage tank (UST) fill and vent pipes were noted by ERM on the northeast side of the Project. It has been previously reported in a prior environmental report that USTs were removed from the site prior to the promulgation of UST laws in the State of Michigan. According to ERM, site personnel are not aware of any USTs presently associated with the site. Since there is no written documentation or physical confirmation (e.g., test pitting) regarding the presence of the USTs, this issue remains a REC.
- A 2-inch diameter metal pipe with a cap was previously reported in the former nitrous oxide room in the southeast portion of the existing building. Although ERM did not observe this pipe during the recent inspection, it remains a concern since there is no information as to its former use and disposition.

Complete copies of ERM's Phase I Update Report, the BEA and the CMIR have been filed with the Trustee and are available for review by Bondholders.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make debt service payments under the Indenture. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy's reputation in its field; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan charter school statutes; future claims for accidents at the Academy's sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods.

Limited Operating History; Reliance on Projections

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has conducted operations as a charter school since 1996. The projections of revenues and expenses contained in "EXHIBIT A – BLACK RIVER PUBLIC SCHOOL – Historical and Projected Revenue and Expenses," herein were prepared by the Academy and have not been independently reviewed or verified by any other party. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2006 through 2010, and consequently do not cover the entire period that the Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid payments, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary education competition and changes in local or general economic conditions. Refer to "EXHIBIT A – BLACK RIVER

PUBLIC SCHOOL," to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Completion of the Project

Proceeds of the Bonds will be used to finance various projects under the Financing Agreement. If plans regarding the Project result in a construction cost that exceeds the amount available to pay such costs, such plans will have to be modified by the Academy to lower the construction costs to an amount not exceeding the amount deposited into the Project Fund for that purpose or the Academy will have to provide additional funding. No assurance can be given that the project will be acquired, constructed or modified on time or for the amount deposited into the Project Fund for such purpose.

Damage or Destruction of the Project

The Indenture requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of a risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

Determination of Taxability

If a Determination of Taxability (as defined in the Indenture) were to occur, the Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the earliest practicable date for which notice can be given following such determination.

Factors Associated with the Academy's Operations

There are a number of factors affecting schools in general that could have an adverse effect on the Academy's financial position and ability to make the debt service payments required under the Indenture. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of the Academy's workforce with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and disruption of the Academy's operations by real or perceived threats against the school, its staff members or students. The Academy cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make debt service payments with respect to the Bonds.

Potential Effects of Bankruptcy

If the Academy were to file a petition for relief (or if a petition were filed against such entity as debtor) under the United States Bankruptcy Code, 11 U.S.C. §§ 101 et. seq., as amended, or other state insolvency, liquidation or receivership laws, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Academy or the property of the Academy. If the bankruptcy court or other state or federal court so ordered, the Academy's property and revenues could be used for the benefit of the Academy despite the claims of its creditors (including the owners of the Bonds).

In a bankruptcy proceeding under Chapter 11 of the Bankruptcy Code, the Academy could file a plan of reorganization which would modify the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the owners of the Bonds). The plan, when approved ("confirmed") by the bankruptcy court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the Academy except as otherwise provided for in the plan. No plan may be confirmed by a bankruptcy court unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. The Academy is prohibited from creating secured creditors except as provided in the Indenture.

Value of Property May Fluctuate

The value of the Project at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy's property which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline.

Special Purpose Buildings

The Project subject to the lien of the Mortgage is not a general purpose building and may not be suitable for industrial or commercial use. If it were necessary to foreclose a judgment lien on the Project under "forced sale conditions" that are present in a foreclosure, it may be difficult to find a purchaser willing to buy, or the property may provide less than full value to the Trustee. There can be no assurance that foreclosure sale proceeds will be sufficient to pay the amounts then outstanding on the Bonds.

Competition for Students

The Academy competes for students with other public school academies, traditional public school districts, and private schools. There can be no assurance that the Academy will attract and retain the number of students that are needed to produce the pledged revenues that are necessary to pay the debt service on the Bonds. Several public school academies, public schools and private schools are located in close proximity to the Academy. Refer to "EXHIBIT A – BLACK RIVER PUBLIC SCHOOL – Service Area and Competing Schools," for information regarding other schools in the Academy's service area and schools that compete with the Academy.

Key Management

The creation of, and the philosophy of teaching in, public school academies such as the Academy may reflect the vision and commitment of a few key persons who are on the Board of Trustees and/or who makeup the upper management of the Academy ("Key Trustees/Managers"). Loss of such Key Trustees/Managers could adversely affect the Academy's operations or financial results. It is anticipated that over time that public school academies will become less dependent upon the Key Trustees/Managers. However, there can be no assurance that this will occur.

Revocation or Non-Renewal of Charter

The Academy operates under a charter contract with the Grand Valley State University Board of Trustees (the "University Board"). The charter contract provides the basis for the Academy to receive State School Aid payments. The Academy's charter contract is effective through June, 2007, and is subject to automatic renewals for one year terms unless terminated by one of the parties to the contract. Decisions to terminate the charter at the end of each annual period are at the sole discretion of the University Board and the University Board could choose to terminate the Academy's charter upon its expiration for any reason. Additionally, the University Board may unilaterally terminate the Academy's charter at any time if the Academy is not in substantial compliance with the charter or any provision of applicable law. The University Board may also revoke or terminate the charter pursuant to its terms based on grounds specified in the charter. See "EXHIBIT A – BLACK RIVER PUBLIC SCHOOL – The Charter Agreement." The decision to terminate or to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. In the event that the Academy's charter is revoked or terminated, the ability of the Academy to make debt service payments on the Bonds would be adversely affected and the Academy could be forced to cease operations.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Academy's charter is revoked; or (iii) the Academy's charter is not reissued by the Authorizing Body, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

TAX MATTERS

General

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dykema Gossett PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Issuer and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy and the Issuer have covenanted to comply with all such requirements to the extent permitted by law. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Additional federal tax consequences relative to the Bonds and the interest thereon include the following matters. For federal income tax purposes: (a) tax-exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (b) the receipt of tax-exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (c) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instances below zero) by 15% of, among other things, tax-exempt interest, including interest on the Bonds; (d) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (e) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds; (f) interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; (g) passive investment income including interest on the Bonds, may be subject to federal income taxation for S Corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporations is passive investment income; (h) holders acquiring the Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income and; (i) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dykema Gossett PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals that could cause the interest on the Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Bonds, or otherwise prevent the registered owners from realizing the full current benefit of the status of the interest thereon.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds maturing on September 1 in the years 2008, 2009, 2010, 2013, 2014, 2019, 2022 and 2031 (the "OID Bonds") is sold and the amount payable at the stated redemption price at maturity thereof constitutes "original issue discount." Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such bonds.

All registered owners of the OID Bonds should consult their own tax advisors with respect to computation of original issue discount and the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

Amortizable Bond Premium

For federal income tax purposes, the difference between an original registered owner's cost basis of the Bonds maturing on September 1 in the years 2011, 2015, 2016 and 2030 (the "Original Premium Bonds") and the amounts payable on the Original Premium Bonds other than stated interest constitutes an amortizable bond premium. The same applies with respect to any Bond, if a registered owner's cost basis exceeds the amounts payable thereon other than stated interest (collectively with the Original Premium Bonds held by the original registered owners, "Premium Bonds"). Such amortizable bond premium is not deductible from gross income, but is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the registered owner's yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such bonds.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds will be passed upon by Bond Counsel and the Attorney General of the State of Michigan. Copies of the approving opinion of Bond Counsel and of the Attorney General will be available at the time of the delivery of the Bonds. Certain legal matters will be passed upon for the Academy by Collins & Blaha, P.C., Farmington Hills, Michigan, and by Dykema Gossett PLLC, Lansing, Michigan in its capacity as counsel to the Underwriter.

UNDERWRITING

The Bonds are being purchased by the Underwriter pursuant to a bond purchase agreement at prices which, if the Bonds are sold at the prices and yields shown on the inside cover page, will result in Underwriter's compensation of $155,487.50. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the bond purchase agreement. The bond purchase agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, banks and others at prices lower that the initial offering prices, and such initial offering prices may be changed form time to time by the Underwriter. Neither the Attorney General nor Dykema Gossett PLLC will express any opinion concerning the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any offering material relative to the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On or prior to the date of delivery of the Bonds, Robert Thomas, CPA, LLC, Shawnee Mission, Kansas, independent certified public accountants, will deliver a report attesting to the mathematical accuracy of the computations contained in the schedules prepared by the Underwriter on behalf of the Issuer relating to the adequacy of cash and the maturing principal of and interest on the Governmental Obligations being deposited in the Escrow Account to pay, when due (whether at maturity or on the respective redemption dates), the principal of, premium if any, and interest on, the Existing Indebtedness To Be Discharged.

LITIGATION

There is no litigation of any nature pending or threatened against the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds or the application of the proceeds thereof toward the costs of the Project, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Bonds or the existence or powers of the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

CONTINUING DISCLOSURE

The Academy will execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), with respect to the Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Continuing Disclosure Rule"). See "EXHIBIT G – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to designated information repositories certain quantitative financial information and operating data of the type specified in the Continuing Disclosure Agreement (the "Annual Report"); and to provide in a timely manner to designated information repositories notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Bonds, but rather requires only that such information be provided to certain information repositories.

BONDS NOT A DEBT OF STATE

The Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Issuer, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Issuer, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Issuer has no taxing power.

LEGALITY FOR INVESTMENT

Subject to any applicable federal requirements or limitations, the Bonds, in the State of Michigan, are securities in which all insurance companies, banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

RATING

The Bonds have not been rated and neither the Issuer nor the Academy has requested a rating agency to provide a rating on the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Academy, as of and for the year ended June 30, 2005, included in this Official Statement have been audited by Rehmann Robson, independent certified public accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Rehmann Robson, which has not been asked to undertake any additional review in connection with the preparation of this Official Statement. The Academy is not aware of any facts that would make the audited financial statements misleading.

MISCELLANEOUS

The Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the “1933 Act”), and the offer, sale and delivery of the Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939. The Academy has agreed that, during the course of the transaction and prior to the sale of the Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Underwriter.

The Academy has furnished the information herein relating to itself. The Issuer has furnished the information herein relating to itself. The Underwriter has furnished the information in this Official Statement with respect to the offering prices of the Bonds and the information under the caption “UNDERWRITING.”

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Bonds. The cover page, introductory statement and the attached Exhibits are part of this Official Statement. All information contained in this Official Statement, including the Exhibits, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

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EXHIBIT A

BLACK RIVER PUBLIC SCHOOL

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EXHIBIT A[1]
BLACK RIVER PUBLIC SCHOOL

GENERAL

Black River Public School ("Black River") is a not-for-profit public school academy – more commonly referred to as a charter school – and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Act No. 451 of the Public Acts of 1976, Michigan Complied Laws ("M.C.L.") Section 380.501 et. seq. (the "Revised School Code") and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. Section 450.2101 et. Seq. Under the constitution and laws of the State of Michigan, Black River Public School is designated to be a body corporate, a public school, a governmental agency, and a school district that receives state school aid and may incur debt. Black River has received IRS designation as a 501(c)(3) not-for-profit entity.

Black River was established in 1996 by a group of local parents, business, civic and educational leaders who determined that additional educational opportunities were needed in the Holland, Michigan area. Taking advantage of the new charter school legislation, the group of community volunteers invested over a year researching local needs and defining a vision and mission statement for an academically challenging, tuition-free, college preparatory public school. The founders understood the importance of small class size (not to exceed 20 students) to the quality of the educational experience and the importance of remaining a small school (not to exceed 80 students per grade) within a community of larger public school choices. Though operations began in a former elementary school building, it became apparent that this site would not accommodate the growth to which the school was committed. In 1999, the BASF Corporation (Mount Olive, NJ) donated to Black River a historic 50,000 square foot building, which had been constructed in 1930 as the headquarters for the Holland Furnace Company. Renovations retained its beautiful interior and brought the building back to life as a schoolhouse, and classes began there in 2000. Black River presents a Montessori approach to individualized learning in grades 1-5, a liberal arts focus in middle school grades 6-8, and a college preparatory high school education in grades 9-12 that includes an extensive Advanced Placement Program curriculum that provides all high school students an opportunity to earn college credit while in high school.

Black River is governed by a volunteer Board of Trustees and operates under a charter contract (the "Charter") with the Grand Valley State University ("GVSU") Board of Trustees, its authorizing body. By correspondence dated May 9, 2006, GVSU advised that Black River's charter will be automatically renewed for an additional year beyond the June 18, 2006, anniversary date (see discussion below under the caption "THE CHARTER AGREEMENT").

BOARD OF TRUSTEES

The governing body for Black River currently consists of nine (9) board members. Vacancies in office are determined and filled pursuant to the provisions set forth in Black River's Bylaws and the Charter with Grand Valley State University. The current Black River Board members are as follows:

Name	Title	Term Expires	Member Since
Barbara A. Zeller*	President	June 2008	2000
Thomas F. Guarr, Ph.D.*	Vice President	June 2008	2003
Vice President, Chemical Research, Gentex Corporation			
Mary M. Mims, J.D.*	Secretary	June 2009	1997
Shareholder, Scholten and Fant, P.C.			
James C. Hook, Jr.*	Treasurer	June 2008	1996
Director of Global Market Development, Haworth, Inc.			
Mitchell W. Padnos*	Trustee	June 2009	1996
Executive Vice President, Louis Padnos Iron & Metal Co.			
Robert L. Sligh, Jr.*	Trustee	June 2007	2001
President, Chairman & CEO, Sligh Furniture Co.			

[1] Information included in Exhibit A of this Official Statement was obtained from Black River Public School unless otherwise noted.

BLACK RIVER MISSION STATEMENT

Our mission is to prepare each student for college and for life through a challenging curriculum which accommodates individual learning styles. We want to have our students discover responsibility for their own lives as well as empathy for all people and cultures. Through a deep respect for independent thinking, we strive to guide our students in their personal growth toward a genuine self-knowledge so that they can achieve their full human potential.

Beliefs

We believe the school's responsibility in education is to bring curiosity, challenge, pleasure and a sense of accomplishment into our students' lives. We believe it is through commitment and determination that students stretch the limits of their minds in the joy and celebration of learning.

We believe education must not be a race for the accumulation of facts, but should provide the basic tools and ideas for learning so that education will be an enriching end in itself.

We believe certain skills to be essential for all of our graduates: To read well, to write clearly and coherently, to study effectively, to reason soundly, and to question thoughtfully and creatively.

Methods

Our faculty are academic coaches, providing academic leadership as well as guidance toward learning and personal growth. We embrace the Socratic method and experiential learning as primary pedagogical tools.

Students will acquire the knowledge and skills needed to make personal decisions leading toward physical and emotional well being.

There will be a clear disciplinary code for all students.

Everything taught at our school endeavors to be a life-long skill, whether it be literary, linguistic, athletic, artistic, scientific, mathematical or historical.

Curriculum

Our Core Curriculum will be English, foreign language, mathematics, history and politics, natural sciences, the arts and applied technology. All courses will be taught within an integrated curriculum, demonstrating relationships among the fields of study.

Students will experience a progression of learning based not on chronological age, but on understanding.

Our students will be provided with non-language-based processes for intuitive insight and the development of meaning, in addition to rational academic processes.

Our curriculum includes involvement with the local community and concern for worldwide issues, which aid in discovering an ability and a responsibility to make a difference in the world. Our students will participate in service and extra-curricular projects within the Greater Holland communities.

Culture

To succeed in our mission we need the students' and parents' active partnership and agreement with the School Mission, which includes a personal commitment to serious academic challenge.

The atmosphere of the school is that of a safe place in which students feel free to develop individual ideas and styles. Our faculty stresses unanxious expectations; making errors is a necessary part of the learning process.

The culture of our school is one of mutually respectful interaction between adults and students; we recognize the need of living enlightened and humane lives.

We encourage a student population of social, economic and racial diversity.

We will be an Elementary School of grades 1, 2, 3, 4, and 5, a Middle School of grades 6, 7, and 8 and a High School of grades 9, 10, 11, and 12; the school will strive for a small population of students of approximately 760, and classes will be targeted to be an average class size of 20.

FACILITIES

Black River Public School began operations the fall of 1996 with grades 6-9 housed in a leased former elementary school building, and then an additional grade was added in each of the next three years as the first senior class graduated from high school in 2000. Prior to the relocation, twelve portable classrooms were required to satisfy the space requirements. In 2000, the school moved into the historic and newly-renovated former Holland Furnace Company headquarters building.

An upper elementary Montessori program for fourth and fifth graders was added for fiscal 2002. A six-classroom modular classroom building was added for the program's third year in fiscal 2004 to accommodate its need for additional space. Responding to significant demand for a lower elementary Montessori program in the spring of 2004, the School acquired a second modular building with eight classrooms to house the new grades 1-3 for fiscal 2005, as well as to create additional for space for special education instruction and teacher planning.

The property gift from BASF Corporation transferred in two parts. Approximately two acres of land on which the main building and parking lot are situated transferred at the end of 1999. An adjacent nine-acre field was transferred in 2003 following Michigan Department of Environmental Quality (MDEQ) approvals, which included approval of the property transfer and approval of an ongoing operations and maintenance plan to, among other things, maintain the ground cover across the surface of the field. Because Project activities will alter the landscape of the nine-acre field, Black River and its contractors will follow a construction implementation plan approved by the MDEQ.

Black River has obtained an updated Phase I Environmental Report for the property which has disclosed certain environmental law risks and issues with respect to the property. See "RISK FACTORS - Environmental Regulation" in forepart of this Official Statement.

CURRICULUM

Black River offers a small school environment with small class sizes and a challenging curriculum that fosters student engagement in their own education and enhances student responsibility and accountability.

The elementary program is Montessori-based, fostering self-motivation, concentration and advancement at individual rates. In middle school, students work in an interdisciplinary curriculum encompassing world culture, literature, history and geography, along with challenging math and science courses.

The high school curriculum continues the advancement by ability and interest concept of the middle and elementary schools. Graduation requirements mirror those suggested by the University of Michigan for college-bound students. Students have tested with 18 different Advance Placement Program (AP) examinations administered by the College Board. Black River's students consistently exceed the national average for performance and have attained a participation rate that ranks among the top 1% of all participating AP schools in North America. Music and visual art programs are an integral part of Black River's culture.

All students are required to participate in a Project Term, which is a month of experiential education at the end of the academic year. Through field trips and hands on activities, students gain educational experiences that are difficult to provide in a more traditional setting. Students select from a wide range of approximately seventy Project Term courses offered by Black River or, subject to administration approval, develop an independent study project. Project Term courses cover a wide range of subjects including: fencing, international cultures, robotics, money management, comparative law, computer assembly, creative writing, drama, forensic chemistry, linguistics and many other topics.

EXTRACURRICULAR ACTIVITIES

Black River students participate in a variety of organized activities apart from their academic coursework. After school student groups, which are often led by parent volunteers, have competed in interscholastic competitions, such as Odyssey of the Mind, Science Olympiad, and American Mathematics Competition events. More than seventy percent (70%) of secondary students elect classes in the music program, and extracurricular participation in band and orchestra solo and ensemble festivals typically exceeds the number of participants from much larger high schools in the area.

The athletics program belongs to the Michigan High School Athletics Association, and has fielded teams that compete in soccer, basketball, volleyball, baseball, softball and cross-country track. Black River has also supported students with a variety of interests by providing a forum whereby students have organized after school clubs for interests such as Dutch dancing, theatre, skiing, and chess.

Black River was a pioneer in the West Michigan area by incorporating since its inception a community service requirement for students at every level. Because of the group and individual service activities performed, Black River students have developed positive, mutually-beneficial relationships with many retirement homes and other non-profit organizations in the Greater Holland community.

THE PROJECT

Proceeds of the borrowing will be used to finance construction and equipping of a new 20,000 square foot facility to house a gymnasium, cafeteria, and music program facilities. The new building will be constructed in the lawn area directly to the east of the existing middle school/high school building. There will be access from the existing parking lot on Columbia Avenue as well as a newly-constructed parking lot adjacent to the new building.

A portion of the proceeds will also be used to finance renovation of space in the existing school building. Two current music rooms will be remodeled to create additional classroom space for middle school and high school grades, and current dining room space will be made into an additional visual arts studio. The construction and renovation will allow Black River to expand its capacity by 80-100 students. Additionally, a portion of the proceeds will be used to refund existing outstanding indebtedness incurred by Black River. See "PLAN OF REFUNDING".

THE CHARTER AGREEMENT

Black River operates under a charter contract (the "Charter") with the Grand Valley State University ("GVSU"), its authorizing body. As such, GVSU is responsible for overseeing Black River in complying with its Charter and other applicable state and federal laws pertaining to Michigan charter schools. GVSU receives 3% of Black River's state aid funds for providing such oversight and acting as Black River's fiscal agent. As a matter of Michigan law, decisions to renew or not renew Black River's Charter are in the sole discretion of the GVSU Board of Trustees (the "GVSU Board"). Black River's Charter may be terminated, suspended or revoked by the GVSU Board at any time prior to the expiration of the charter term. On September 23, 1997, the Attorney General of Michigan issued a formal opinion that an authorizing body's decision to revoke a charter or decline to renew a charter for the operation of a public school academy is not subject to judicial review under State law.

Under the terms and conditions of the Charter, the Charter may be revoked by the GVSU Board upon a determination by the GVSU Board that one or more of the following statutory grounds for revocation has occurred:

a) Failure to abide by and meet the educational goals set forth in the Charter; or
b) Failure to comply with all state and federal law applicable to public school academies ("Applicable Law"); or
c) Failure to meet generally accepted public sector accounting principles; or
d) The existence of one or more other grounds for revocation as specified in the Charter.

In addition to the statutory grounds for revocation set forth above, the GVSU Board may also revoke the Charter, pursuant to procedures set forth in the Charter, upon a determination by the GVSU Board that one or more of the following has occurred:

a) insolvency, bankruptcy, or two or more years operation with a fund balance deficit
b) student enrollment drops by more than 50% from the prior year
c) default in the terms, conditions, promises or representations in the Charter

d) amendment to the school's Articles of Incorporation without first obtaining GVSU Board approval
e) grossly negligent, fraudulent, or criminal conduct by the school's directors, officers, employees or agents in relation to their performance under the Charter
f) the school provides false or misleading information or documentation in connection with the GVSU Board's approval of the school's application, issuance of the Charter, or the school's reporting requirements under the Charter or federal law applicable to public school academies
g) there is a change in law that the GVSU Board determines, in its sole discretion, impairs its rights and obligations under the Charter or requires the GVSU Board to make changes in the Charter that are not in the best interest of the GVSU Board or the university
h) the GVSU Board determines, in its sole discretion, that the continued issuance of a Charter is no longer consistent with GVSU's educational interest or the university's interests
i) the GVSU Board determines that the continuance of the Charter contract is detrimental to the university's interests

EDUCATIONAL SERVICE PROVIDER

Black River does not directly employ workers, but instead receives educational services and staffing pursuant to a management agreement with Education Associates, a non-profit Michigan corporation. Accordingly, Black River does not participate in the Michigan Public School Employees' Retirement System (MPSERS), which is a cost-sharing, multiple employer, state-wide, defined benefit retirement plan. Black River's Board is a policy-making and planning body whose decisions are carried out by school administrators employed by the management company. Pursuant to the management agreement, Black River reimburses without markup the staffing costs incurred by Education Associates, including the cost of employer contributions into qualifying employees' 401(k) retirement accounts with the Education Associates Retirement Plan. The funding rate is 10% of qualifying employee wages. This retirement cost has been significantly lower than the rate paid by MPSERS member schools, which was 16.34% of payroll for fiscal 2006 and increases to 17.74% for fiscal 2007.

ENROLLMENT

The principal factor driving Black River's operating revenues and expenses is the count of students enrolled and attendance on the fall count day. Black River's open enrollment policy was adjusted slightly for the 2005-2006 academic year by stipulating for open enrollment to close on the last Monday in March, a month earlier than previous years. This allowed Black River to plan for the size of each grade during the spring budgeting and strategic planning process. (For the 2007-2008 academic year, open enrollment is scheduled to close in the last week of February.)

Based on the results of a lottery for new applicants, Black River accepted a total of 704 new and returning students for the 2006-2007 academic year at the close of open enrollment at the end March 2006. Only 109 (46%) of the 237 new applications were accepted at that time. By the end of May, an additional 4 students were accepted from the wait list following analysis of space availability. The lottery had created a prioritized wait list at every grade totaling 131 students, up from 70 at the same point in the prior year. After the wait list is created, it becomes an ever-changing document, with new applications added at the bottom and names selected from the top as spaces become available. In mid-May the wait list peaked at 144 students, following a surge in applications after a story published by the *Washington Post* and *Newsweek*, which ranked Black River at Number 55 in a national ranking of the top 1,200 schools (up from #104 in the prior year), and for the second straight year ranked Black River as the Number 2 high school in the state out of approximately 900 public and private high schools in Michigan. Newsweek's "challenge index" ranks high schools by the ratio of the number of AP and International Baccalaureate (IB) tests taken by all students at a school divided by the number of graduating seniors. Black River's index of 3.813 is a reflection of the number of AP classes for which Black River students received scores worthy of college credit.

As of the beginning of June 2006, Black River had re-registered 96% of students enrolled as of the prior September count day. Table 1 sets forth data provided by Black River regarding the composition of the student body from the September 2006 fall count day and the status of new applications through the end of May 2006. Of the 40 students in the prior year senior class (not presented on Table 1), 38 will graduate, one special education student is expected to finish his Black River education with a certificate of courses completed, and one student will receive a space to return as a 12th grader.

Table 1
Black River Public School
Enrollment Demand Analysis as of May 31, 2006
Current Student Retention and New Student Demand
Spring Enrollment Season for the Fall 2006/2007 School Year

	GRADE FOR 2006/2007												
	1	2	3	4	5	6	7	8	9	10	11	12	Total
Students registered-prior year		47	43	37	37	49	72	65	64	64	73	70	621
Adjustment for students held back		0	0	0	0	7	(3)	3	(3)	2	(3)	(2)	1
Students carried forward-adjusted		47	43	37	37	56	69	68	61	66	70	68	622
Students not returning		(2)	(4)	(2)	(2)	0	0	(2)	(1)	(4)	(3)	(7)	(27)
Students registered to return		45	39	35	35	56	69	66	60	62	67	61	595
Student retention %		96%	91%	95%	95%	100%	100%	97%	98%	94%	96%	90%	96%
New applications-total	58	19	26	27	16	22	24	14	27	12	7	2	254
New applications-wait listed	19	17	24	18	12	5	8	14	5	11	6	2	141
New applications-accepted	39	2	2	9	4	17	16	0	22	1	1	0	113
New application acceptance %	67%	11%	8%	33%	25%	77%	67%	0%	81%	8%	14%	0%	44%
Applications-total	58	64	65	62	51	78	93	80	87	74	74	63	849
Students registered-returning + new	39	47	41	44	39	73	85	66	82	63	68	61	708

Management is developing the budget for fiscal 2006/2007 based on a budgeted enrollment of 710 students. If a space in a grade becomes available for whatever reason (e.g., a family moves or returns to a previous school), management has the option to offer the space to the next student on that grade's wait list. Management has in the past often not replaced students giving up their space in grades 10-12, because past experience has shown that a new students arriving after the ninth grade can have difficulty adapting to the challenge of Black River's curriculum. For the other grades 1-9, the wait list may be managed through the September 2006 count day to attempt to replace any students whose families might move away or leave Black River for whatever reason.

STUDENT RETENTION

Student retention is a cornerstone of a successful school community. While Black River's student retention rate has been consistently high, the past few years Black River has experienced significant improvement. Over four years Black River's student retention rate has climbed from eighty-eight percent (88.0%) in 2002-03 to ninety-six percent (96.0%) in the current academic year.

Table 2
Rate of Retention by Academic Year

2002-2003	88.0%
2003-2004	89.0%
2004-2005	94.0%
2005-2006	96.0%

Table 3
Black River Public School
Historical and Projected Enrollment
Last Six Fiscal Years, with Four Years Forecast Information

	Fiscal Year									
Grade	**00-01**	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	***06-07***	***07-08***	***08-09***	***09-10***
Elementary										
K	-	-	-	-	-	-	-	*30*	*30*	*30*
1	-	-	-	-	32	47	*39*	*42*	*42*	*42*
2	-	-	-	-	32	43	*47*	*42*	*42*	*42*
3	-	-	-	-	19	37	*41*	*42*	*42*	*42*
4	-	11	34	38	44	37	*44*	*40*	*40*	*40*
5	-	9	26	43	40	49	*40*	*40*	*40*	*40*
	-	20	60	81	167	213	*211*	*236*	*236*	*236*
Middle school										
6	23	35	56	56	65	72	*75*	*80*	*80*	*80*
7	38	37	61	60	66	65	*84*	*80*	*80*	*80*
8	33	41	59	77	54	64	*64*	*80*	*80*	*80*
	94	113	176	193	185	201	*223*	*240*	*240*	*240*
High school										
9	58	41	58	80	75	64	*82*	*80*	*80*	*80*
10	61	54	46	47	77	73	*63*	*74*	*78*	*78*
11	43	40	45	42	46	70	*70*	*60*	*73*	*74*
12	36	25	32	46	35	40	*61*	*70*	*58*	*72*
	198	160	181	215	233	247	*276*	*284*	*289*	*304*
Total	292	293	417	489	585	661	*710*	*760*	*765*	*780*

Source: Black River; data presented for 2000-01 through 2005-06 is actual head count data as of the fall membership count day on the fourth Wednesday in September. Data presented for 2006-07 through 2009-10 is projected by Black River.

* Black River currently offers grades 1 through 12. In connection with the school facilities expansion, Black River will apply to GVSU to offer Kindergarten to accommodate the projected enrollment. The enrollment numbers for school years 2006-07 through 2011-12 are based on projected numbers as of the beginning of those school years and are not state membership calculations.

SERVICE AREA AND COMPETING SCHOOLS

The large majority of Black River's students reside within a 30-mile radius from Black River's location, primarily from Ottawa County and, to a lesser extent, from Allegan County. Black River's student population has consistently been drawn approximately as follows:

- one-half from within the local Holland school district
- one-third from the adjacent West Ottawa school district
- one-sixth from other West Michigan school districts

The five year historical trend of the number of students drawn from within the boundaries of neighboring school districts is shown in Table 4.

Table 4
Black River Public School
Enrollment History by Student's Resident District
Last Five Fiscal Years

Student's Resident District	**Fiscal Year**									
	2001/2002		**2002/2003**		**2003/2004**		**2004/2005**		**2005/2006**	
	Count	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**
Holland	140 47.8%	(10.8) %	212 50.7%	51.4 %	238 48.7%	12.3 %	270 46.2%	27.4 %	310 46.9%	30.3 %
West Ottawa	93 31.7%	(3.1)	127 30.4%	36.6	149 30.5%	17.3	194 33.2%	52.8	222 33.6%	49.0
Zeeland	18 6.1%	12.5	24 5.7%	33.3	32 6.5%	33.3	36 6.2%	50.0	43 6.5%	34.4
Fennville	15 5.1%	50.0	18 4.3%	20.0	40 8.2%	122.2	43 7.4%	138.9	36 5.4%	(10.0)
Saugatuck	12 4.1%	300.0	15 3.6%	25.0	13 2.7%	(13.3)	18 3.1%	20.0	18 2.7%	38.5
Other	15 5.1%	50.0	22 5.3%	46.7	17 3.5%	(22.7)	24 4.1%	9.1	32 4.8%	88.2
Total	293 100%	0.3 %	418 100%	42.7 %	489 100%	17.0 %	585 100%	40.0 %	661 100%	35.2 %

Source: Black River pupil accounting records.

Black River considers its primary competitive market to be the traditional districts, private schools, and public charter schools within the Holland/West Ottawa geographic area, as follows:

Traditional Public School Districts:
- Holland Public Schools
- West Ottawa Public Schools

Public Charter Schools:
- Vanderbilt Charter Academy
- Eagle Crest Charter Academy

Private Schools:
- Holland Christian Schools
- Corpus Christi Catholic School
- Calvary Schools of Holland

Based on data supplied by the Ottawa Area Intermediate School District, the numbers of students enrolled in school systems within the Holland/West Ottawa geographic area is about the same size as five years ago. During this time Black River's enrollment has increased by 126% from 292 students in 2001/2002 to 661 for the 2005/2006 school year. The enrollment trends for Black River and its chief competitors are shown in Table 5 on Page A-9.

Table 5
Holland / West Ottawa Area Student Enrollment
Traditional Public Schools, Private Schools, and Charter Schools
Last Ten Academic Years

	Academic Year																			
	1996/1997		1997/1998		1998/1999		1999/2000		2000/2001		2001/2002		2002/2003		2003/2004		2004/2005		2005/2006	
	Count	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**	**Count**	**% Chg**
Holland Public	5,734	(0.5) %	5,676	(1.0) %	5,619	(1.0) %	5,500	(2.1) %	5,513	0.2 %	5,470	(0.8) %	5,380	(1.6) %	5,238	(2.6) %	5,014	(4.3) %	4,855	(3.2) %
	36.4%		35.0%		33.8%		32.6%		32.0%		31.1%		30.4%		29.6%		28.5%		28.0%	
West Ottawa Public	6,554	5.2	6,825	4.1	7,095	4.0	7,312	3.1	7,545	3.2	7,760	2.8	7,896	1.8	7,997	1.3	8,157	2.0	8,108	(0.6)
	41.6%		42.1%		42.7%		43.3%		43.7%		44.1%		44.7%		45.2%		46.3%		46.7%	
Holland Christian	2,670	9.1	2,637	(1.2)	2,577	(2.3)	2,589	0.5	2,638	1.9	2,701	2.4	2,646	(2.0)	2,512	(5.1)	2,372	(5.6)	2,277	(4.0)
	16.9%		16.3%		15.5%		15.3%		15.3%		15.4%		15.0%		14.2%		13.5%		13.1%	
Other Private Schools	403	(7.4)	397	(1.5)	381	(4.0)	380	(0.3)	401	5.5	415	3.5	400	(3.6)	404	1.0	386	(4.5)	372	(3.6)
	2.6%		2.4%		2.3%		2.3%		2.3%		2.4%		2.3%		2.3%		2.2%		2.1%	
Eagle Crest Charter	-		136		287	111.0	420	46.3	500	19.0	551	10.2	545	(1.1)	596	9.4	638	7.0	648	1.6
	0.0%		0.8%		1.7%		2.5%		2.9%		3.1%		3.1%		3.4%		3.6%		3.7%	
Vanderbilt Charter	194	1st Yr	272	40.2	350	28.7	378	8.0	362	(4.2)	400	10.5	399	(0.3)	442	10.8	461	4.3	435	(5.6)
	1.2%		1.7%		2.1%		2.2%		2.1%		2.3%		2.3%		2.5%		2.6%		2.5%	
Black River	209	1st Yr	269	28.7	305	13.4	303	(0.7)	292	(3.6)	293	0.3	417	42.3	489	17.3	585	19.6	661	13.0
	1.3%		1.7%		1.8%		1.8%		1.7%		1.7%		2.4%		2.8%		3.3%		3.8%	
Total Area	15,764	5.9 %	16,212	2.8 %	16,614	2.5 %	16,882	1.6 %	17,251	2.2 %	17,590	2.0 %	17,683	0.5 %	17,678	0.0 %	17,613	(0.4) %	17,356	(1.5) %
	100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%		100.0%	

SOURCE: Ottawa Area Intermediate School District

Michigan's charter school law provides that charter contracts to organize and operate charter schools may be issued by the following:

- the board of a K-12 school district
- an intermediate school district board
- the board of a community college
- the governing board of a state public university

Black River is located within and served by the Ottawa Area Intermediate School District, which has announced that it plans to authorize a new charter high school at the request of local school districts interested in providing another option for students struggling in more traditional environments. Wavecrest Career Academy is to be located in the City of Holland and serve approximately 150 alternative education students in its first year beginning in the Fall of 2006. Wavecrest is expected to serve students displaced by the closure in recent years of alternative education high schools operated by the Holland, Zeeland, and Grand Haven school districts. Wavecrest is targeted to serve a market that is distinct and separate from families attracted by Black River's college preparatory mission and Black River expects few, if any, student transfers to Wavecrest.

Due to a statutory limit, or cap, on the number of charter schools that can be authorized by Michigan's state public universities, growth in the number of Michigan charter schools is expected to be small for the next few years.

Regarding community college authorizers, in the past three years, Bay Mills Community College ("BMCC") has been the most active authorizer in the State. BMCC may authorize charter schools anywhere throughout the State of Michigan except within the boundaries of the Detroit Public Schools.

Other community colleges and intermediate and local public school districts may also authorize charter schools within their district boundaries. To date, 225 charter schools have been authorized in Michigan of which 150 have been authorized by state public universities.

ACADEMIC PERFORMANCE

Michigan Educational Assessment Program – Student Assessment Data

The Michigan Educational Assessment Program (MEAP) is a statewide testing program that consists of a set of tests that assesses reading, writing, mathematics, science, and social studies. The MEAP tests are achievement tests, measuring the knowledge and skills students have attained prior to taking the test (as opposed to predictive tests, which are designed to predict student performance in the future). The tests are designed to assess the Michigan Grade Level Content Expectations established by the State Board of Education. Table 6 shows the percentage of Black River, Holland Public Schools, and State of Michigan students that met or exceeded Michigan standards on MEAP tests in the past three school years.

Table 6
Black River Public School, Holland Public Schools & State of Michigan
MEAP Comparison
Percentages of Students Meeting or Exceeding Proficiency

3rd Grade

	2004	2005	2006
English Language Arts			
Black River	No assessment		86.1
Holland			69.5
Michigan			77.9
Math			
Black River	No assessment		88.9
Holland			81.5
Michigan			87.1
Reading			
Black River	No assessment		88.9
Holland			77.3
Michigan			86.6
Writing			
Black River	No assessment		52.8
Holland			45.9
Michigan			51.5

4th Grade

	2004	2005	2006
English Language Arts			
Black River	73.2	84.8	88.9
Holland	50.4	54.5	71.6
Michigan	64.0	69.0	75.6
Math			
Black River	58.5	84.8	86.1
Holland	62.0	59.1	77.1
Michigan	73.0	73.0	81.7
Reading			
Black River	87.8	91.3	88.9
Holland	70.4	72.4	81.0
Michigan	79.0	82.0	83.2
Writing			
Black River	43.9	47.9	55.6
Holland	34.9	25.0	52.0
Michigan	48.0	46.0	54.8

5th Grade

	2004	2005	2006
English Language Arts			
Black River	No assessment		94.0
Holland			71.2
Michigan			74.9
Math			
Black River	No assessment		92.0
Holland			65.2
Michigan			73.4
Reading			
Black River	No assessment		98.0
Holland			77.5
Michigan			80.0
Science			
Black River	88.9	86.5	98.0
Holland	76.2	76.0	73.7
Michigan	78.0	79.0	76.8
Writing			
Black River	No assessment		82.0
Holland			60.8
Michigan			62.9
Social Studies			
Black River	41.7	37.8	No assess-ment
Holland	33.4	28.2	
Michigan	31.0	28.0	

6th Grade

	2004	2005	2006
English Language Arts			
Black River	No assessment		81.5
Holland			72.3
Michigan			76.7
Math			
Black River	No assessment		77.5
Holland			62.4
Michigan			65.1
Reading			
Black River	No assessment		87.1
Holland			72.7
Michigan			79.6
Writing			
Black River	No assessment		78.6
Holland			71.7
Michigan			74.8
Social Studies			
Black River	No assessment		87.0
Holland			73.9
Michigan			78.3

Table 6 (continued)
Black River Public School, Holland Public Schools & State of Michigan
MEAP Comparison
Percentages of Students Meeting or Exceeding Proficiency

7th Grade

	2004	2005	2006
English Language Arts			
Black River	66.1	77.8	91.8
Holland	60.6	63.5	75.1
Michigan	57.0	66.0	72.8
Math			
Black River	No assessment		79.3
Holland			52.8
Michigan			59.6
Reading			
Black River	74.5	81.0	95.0
Holland	64.9	72.5	79.4
Michigan	61.0	73.0	75.8
Writing			
Black River	40.7	57.2	80.3
Holland	46.8	35.9	66.9
Michigan	47.0	53.0	66.7

8th Grade

	2004	2005	2006
English Language Arts			
Black River	No assessment		86.2
Holland			68.6
Michigan			69.4
Math			
Black River	66.7	74.1	75.0
Holland	54.0	63.5	58.9
Michigan	63.0	62.0	63.2
Reading			
Black River	No assessment		84.6
Holland			73.2
Michigan			72.9
Science			
Black River	74.6	79.6	95.5
Holland	64.5	72.5	77.0
Michigan	66.0	64.0	76.8
Writing			
Black River	No assessment		75.3
Holland			59.3
Michigan			64.7
Social Studies			
Black River	25.3	53.7	No assess-ment
Holland	29.0	35.9	
Michigan	29.0	30.0	

12th Grade

	2004	2005	2006
Math			
Black River	77.7	83.8	Scores not yet available
Holland	51.1	57.4	
Michigan	58.7	56.9	
Reading			
Black River	87.3	83.8	Scores not yet available
Holland	67.2	83.9	
Michigan	76.2	77.9	
Science			
Black River	88.9	71.1	Scores not yet available
Holland	56.8	58.1	
Michigan	63.4	56.0	
Social Studies			
Black River	58.7	75.7	Scores not yet available
Holland	35.0	55.2	
Michigan	35.0	57.2	
Writing			
Black River	74.4	64.9	Scores not yet available
Holland	42.0	40.3	
Michigan	57.8	33.8	
English Language Arts			
Black River	84.4	89.5	Scores not yet available
Holland	55.0	72.3	
Michigan	---	---	

Adequate Yearly Progress

Adequate Yearly Progress ("AYP") is a concept established by the federal No Child Left Behind Act ("NCLB"). In Michigan, it is a measure of year-to-year student achievement on the MEAP test. According to NCLB, Michigan and other states must develop target starting goals for AYP and the state must raise the bar in gradual increments so 100 percent of the students in the state are proficient on state assessments by the 2013-14 school year. AYP applies to each district and school in the state; however, NCLB sanctions for schools that do not make AYP for two or more years in a row, only apply to those districts and schools that receive Title I funds. Black River does receive Title I funds and has earned the NCLB status of "Met AYP" at the elementary, middle school, and high school levels in each year since the State of Michigan began publishing this indicator of Black River's performance for the 2001-2002 school year.

Other Measurements of Student Achievement

Since graduating its first senior class in 2000, over 90% of Black River's graduates have gone on to post-secondary education. As shown in Table 7, Black River students have consistently exceeded state and national averages on the American College Testing Exam (ACT), which is a widely-accepted college entrance exam.

Table 7
ACT Composite Scores

School Year	Black River	State	Nation
2001	24.5	21.3	21.0
2002	23.8	21.3	20.8
2003	24.8	21.3	20.8
2004	25.0	21.4	20.9
2005	25.0	21.4	20.9

ACCREDITATION

North Central Association Commission on Accreditation and School Improvement ("NCA CASI")

NCA CASI is a non-governmental, voluntary organization that accredits more than 9,000 public and private schools in 19 states. To earn NCA CASI accreditation, schools must:

1. Meet NCA CASI's quality standard and criteria. The standard and criteria require a broad and rigorous curriculum, highly qualified staff, appropriate student-teacher ratios, safe and secure facilities, and other components necessary to provide a quality education.
2. Implement a school improvement plan focused on increasing student performance.
3. Host at least two peer review/evaluation visits during the school improvement cycle.
4. Document the results of their school improvement efforts.

Black River entered its first NCA CASI school improvement cycle in the 1999-2000 school year following NCA's Outcome's Endorsement process, which provides a model to follow that identifies improvement goals that focus exclusively on student learning, develops a comprehensive plan and then measures the results throughout a five-year cycle. At the end of this first process, Black River achieved full NCA accreditation in April 2005, which it has maintained to date.

American Academy for Liberal Education ("AALE")

In May 2003, Black River became only the sixth charter school nationally, and the first in Michigan, to become fully accredited by AALE, which has accredited colleges and universities since 1995 and began evaluating charter schools in 2002.

STATE AID PAYMENTS

Black River's principal source of revenue is a per-pupil base foundation allowance received from the State of Michigan pursuant to the State School Aid Act of 1979 M.C.L. Section 388.1601 et. seq. Payments are sent directly to GVSU, which forwards the payments to Black River, minus a 3% authorizer fee. As part of the transaction involving the issuance of the Bonds, and pursuant to the State Aid Agreement, Black River has directed that the State School Aid funds to be received by Black River in each fiscal year from the State of Michigan in an amount approximately equal to 1/11 of annual principal and interest payments scheduled on the Bonds plus 1/11 of the Scheduled Fee Payments on or before the 20th of each January, February, March, April, May, June, July, August, October, November and December be paid directly to the Trustee; provided, however, that not more than twenty percent (20%) of the State School Aid funds to be received by Black River for such fiscal year may be used to make payments on the Bonds and any additional bonds issued under the Indenture (as defined in this Official Statement).

Table 8 shows the components of Black River's per-pupil based foundation grant revenue for the 2001-2002 through 2005-2006 school years. The "membership" count is a weighted average of the current year fall count and the prior year spring count. See "RISK FACTORS" in forepart of this Official Statement for additional information, including appropriation, reduction and termination of State School Aid funds.

Table 8
Student Membership and Foundation Grant Revenue
Last Five Fiscal Years

Fiscal Year	Fall Count (FTE)	Membership Pupils	Per-Pupil Foundation Allowance	Total Foundation Grant
2001-2002	291.40	290.81	$ 6,638	$ 1,930,397
2002-2003	415.00	386.43	6,838	2,642,408
2003-2004	487.80	467.67	6,764	3,163,320
2004-2005	584.15	574.71	6,838	3,929,867
2005-2006	660.60	637.14	7,013	4,468,263

Source: Black River from State Aid Financial Status Reports published by the Michigan Department of Education.

OTHER BORROWING

Table 9 shows a summary of long-term debt transactions for the year ended June 30, 2006, excluding the Black River Public School Certificates of Participation Series 2000 (the "Series 2000 Debt") which are being refinanced by this financing, and the proposed Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 (the "Series 2006 Bonds").

Table 9
Black River Public School
Other Long-Term Borrowing

	Balance 6/30/2005	Additions	Principal Payments	Forecasted Balance 6/30/2006
2002 Capital Leases for School Buses (3.70%)	$45,026	$ -	$(8,162)	$36,864
2003 Note Payable to BASF Corporation (0.00%)	346,545	-	(69,309)	277,236
2003 Installment Purchase Contract-6 classroom portable (3.69%)	266,561	-	(81,076)	185,485
2004 Installment Purchase Contract-8 classroom portable (3.59%)	371,847	-	(82,664)	289,183
Total Other Long-Term Borrowing	$1,029,979	$ -	$(241,211)	$788,768

Black River also uses a revolving line of credit with a local banking institution to fund operating cash flow. For fiscal year 2005-2006, Black River received approval from the Michigan Department of Treasury for an $850,000 revolving line of credit, for which Black River pledges 30 percent of current year state school aid revenues. For 2006-07, Black River anticipates the need for a $700,000 - $750,000 revolving line of credit.

LOCAL/FEDERAL/STATE FUNDING

Black River is eligible to apply for grants from private, state and federal programs that support public school programs and services. Black River's revenue allocations for fiscal 2005-2006 are listed in Table 10.

Table 10
Black River Public School
Categorical Funding Sources

2005-2006 Allocation	REVENUE CATEGORY (USE)
	Local Sources
$275,668	Act 18 Milleage (Special Education)
	State School Aid
42,428	Sec. 31(a) At Risk Student Funding (Social Work)
1,490	Sec. 74 Bus Driver Safety (Driver Education)
	Federal Funding
108,910	IDEA Flowthru Grant (Special Education)
35,875	Title I, Part A Improving Basic Programs (Elementary Reading)
7,744	Title II, Part A Teacher Training (Montessori Training)
669	Title II, Part D Technology Literacy
237	Title V, Part A Innovative Programs (Montessori Training)
$473,021	**Total Categorical Funding**

Each allocation is typically based on prior year factors, such as number of students qualifying for free and/or reduced-price lunches.

BUDGET PROCESS AND INFORMATION

Black River's Board of Trustees is responsible for establishing, approving and amending an annual budget in accordance with the Uniform Budgeting and Accounting Act, M.C.L. 141.421, et. seq. The Board must submit to the GVSU Charter Schools Office a copy of its annual budget for the upcoming fiscal year in accordance with the Master Calendar of Reporting Requirements established by the GVSU Charter School Office. Black River's Board of Trustees is also responsible for adopting the original budget before the start of a fiscal year, and for approving all revisions and amendments to the fiscal year's budget.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Table 11 below provides a history of the Black River's audited General Fund fiscal year end fund balances. Table 12 on page A-17 provides Black River's historical and projected revenues and expenses. The information presented for the fiscal year ended June 30, 2005 is actual data presented by Black River, and for the fiscal years ending June 30, 2006 through 2010 is projected information provided by Black River which are based upon certain assumptions made by Black River. The projections are derived from past operating results and from Black River's assumptions about student enrollment and expenses.

Table 11
Black River Public School
History of Audited General Fund Balances

As of June 30,	2001	2002	2003	2004	2005
Fund Balance	$84,831	$106,556	$82,798	$92,812	$381,505

Source: Black River's audited financial statements.

The forecasted financial information in Table 12 for the fiscal year ended June 30, 2006, represents the 2006 Final Budget adopted by the Black River Board on June 26, 2006. The forecasted information for the year ended June 30, 2007, represents the 2007 Original Budget adopted by the Black River Board on June 26, 2006, except for the "Debt Retirement-2006" items which were updated based on subsequent estimates for the Series 2006 debt service requirements.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

State School Aid Foundation Grant Revenue. State law requires two membership student counts each school year; one on the fourth Wednesday in September (the "Fall Count") and another on the second Wednesday in February (the "Spring Count"). State law defines a "Blended Pupil Count" to be the current year Fall Count times a factor set by the State times and adding it to the prior year Spring Count times a factor set by the State. For the years ending June 30, 2005 and 2006, the current year factor is 75% and the prior year factor is 25%. The state foundation grant revenue is determined by multiplying the Blended Pupil Count by the per-pupil foundation allowance. The underlying assumptions used to determine the projected foundation grant revenue for fiscal 2007 through 2010 is shown in Table 13. In fiscal 2005, Black River's newly-offered grades 1, 2 and 3 were not subject to prior year blending. Black River's projections assume that kindergarten will be first offered in fiscal 2008 and not subject to blending in the first year offered.

Other Revenues. Other revenues consist of other state categorical funding as well as various local, intermediate and federal funding sources. Forecasted changes in these revenues is based on forecasted changes in factors such as student enrollment changes, or changes in subpopulations of student enrollment (e.g., high school enrollment).

Personnel Costs. The majority of costs in the instruction and support services functional areas represent personnel costs, which were forecast to change based on student enrollment growth as well as inflationary expectations ranging between 3% and 4%. In addition, judgmental factors were incorporated, such as increased operation and maintenance cost for the opening of the new facility for fiscal 2008, and the addition of an additional school administrator for fiscal 2009.

Charter Oversight. For continued oversight of compliance with statute, rules, and the terms of the Charter contract, the forecast includes the oversight fee equal to 3% of the state aid foundation grant.

Capital Outlay by the General Fund. A general fund provision of $20,000 per year has been forecast for each of the fiscal years from 2007 through 2010 to anticipate general capital expenditures such as carpet replacements and site improvements.

Debt Service from the General Fund. Principal and interest on the borrowing shown in Table 12 is paid directly from the General Fund without being escrowed into debt retirement. The forecast includes the scheduled debt service per the loan and capital lease agreements.

Transfers to Debt Retirement. The General Fund forecast assumes that the proposed Series 2006 Bonds will replace the Series 2000 Debt and also finance construction of the Project. Terms of the proposed Series 2006 Bonds require State School Aid pledged revenues to be transferred into debt retirement from Black River's State School Aid payments. The first principal and interest payment on the proposed Series 2006 Bonds is scheduled for September 1, 2007, with pledged revenues to be withheld from the August 2006, and October 2006 through August 2007 State School Aid pledged revenues; therefore nine-elevenths of the first debt service payment is forecast to be transferred to debt retirement for the fiscal year ended June 30, 2007. Approximately a full year's debt service is forecast for subsequent years.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY BLACK RIVER PUBLIC SCHOOL.

Table 12
Black River Public School
General Fund
Forecasted Statement of Revenues, Expenditures and Changes in Fund Balance
For the fiscal years ended June 30,
(unaudited)

	Actual	Forecasted Amounts				
	2005	2006	2007	2008	2009	2010
REVENUE						
Local sources	$ 457,688	$ 341,000	$ 445,000	$ 443,000	$ 361,000	$ 372,000
Intermediate sources	33,420	25,000	27,000	30,000	31,000	33,000
State sources-foundation grant	3,929,867	4,468,000	5,038,000	5,539,000	5,713,000	5,923,000
State sources-other	45,084	49,000	48,000	53,000	55,000	57,000
Federal sources	143,515	153,000	174,000	233,000	244,000	259,000
Total revenue	4,609,574	5,036,000	5,732,000	6,298,000	6,404,000	6,644,000
EXPENDITURES						
Instruction:						
Basic programs:						
Elementary	497,429	600,000	610,000	710,000	738,000	768,000
Middle School	552,016	598,000	688,000	770,000	801,000	833,000
High School	839,017	915,000	982,000	1,051,000	1,112,000	1,217,000
Special education	191,166	285,000	330,000	367,000	384,000	407,000
Title I compensatory education	34,519	58,000	115,000	118,000	122,000	126,000
Total instruction	2,114,147	2,456,000	2,725,000	3,016,000	3,157,000	3,351,000
Supporting services:						
Pupil services	158,967	188,000	205,000	209,000	213,000	217,000
Instructional staff	62,492	94,000	91,000	97,000	98,000	100,000
Charter agency oversight	115,186	135,000	152,000	166,000	171,000	178,000
General administration	177,938	198,000	187,000	192,000	197,000	202,000
School administration	195,425	209,000	227,000	232,000	327,000	334,000
Support services business						
Business office	216,310	220,000	242,000	247,000	252,000	257,000
Insurance	8,818	9,000	13,000	9,000	9,000	9,000
Interest - short term debt	18,402	10,000	11,000	12,000	12,000	12,000
Operation and maintenance	374,224	375,000	417,000	500,000	525,000	551,000
Pupil transportation services	24,174	31,000	33,000	39,000	39,000	40,000
Technology	43,905	75,000	88,000	96,000	101,000	106,000
Total supporting services	1,395,841	1,544,000	1,666,000	1,799,000	1,944,000	2,006,000
Other general fund expenditures:						
Capital outlay	52,356	76,700	20,000	20,000	20,000	20,000
Debt service	117,045	264,602	260,730	250,000	185,000	91,000
Total other expenditures	169,401	341,302	280,730	270,000	205,000	111,000
Total expenditures	3,679,389	4,341,302	4,671,730	5,085,000	5,306,000	5,468,000
Revenue over (under) expenditures	930,185	694,698	1,060,270	1,213,000	1,098,000	1,176,000
OTHER FINANCING USES						
Transfers out to:						
Debt retirement-Series 2000 Debt	402,093	463,231	-	-	-	-
Debt retirement-2006 Refunding	-	-	380,000	465,000	465,000	465,000
Debt retirement-2006 Project	-	-	154,000	188,000	188,000	188,000
Debt retirement-2006 Supersinker Interest	-	-	22,000	18,000	10,000	5,000
Capital projects	179,690	80,000	80,000	80,000	-	-
Food service	9,035	-	-	-	-	-
Athletics	50,674	59,000	67,000	75,000	79,000	83,000
Total other financing uses	641,492	602,231	703,000	826,000	742,000	741,000
Net change in fund balance	288,693	92,467	357,270	387,000	356,000	435,000
Fund balance, beginning of year	92,812	381,505	473,972	831,242	1,218,242	1,574,242
Fund balance, end of year	$ 381,505	$ 473,972	$ 831,242	$ 1,218,242	$ 1,574,242	$ 2,009,242

Table 13
Black River Public School
Student Enrollment Projections

	Actual		Forecasted Enrollment					
	2004-2005		2005-2006	2006-2007	2007-2008		2008-2009	2009-2010
K	-		-	-	30	*	30	30
Grade 1	32	*	47	39	42		42	42
Grade 2	32	*	43	47	42		42	42
Grade 3	19	*	37	41	42		42	42
Grade 4	44		37	44	40		40	40
Grade 5	40		49	40	40		40	40
Elementary	167		213	211	236		236	236
Grade 6	65		72	75	80		80	80
Grade 7	66		65	84	80		80	80
Grade 8	54		64	64	80		80	80
Middle School	185		201	223	240		240	240
Grade 9	75		64	82	80		80	80
Grade 10	77		73	63	74		78	78
Grade 11	46		70	70	60		73	74
Grade 12	35		40	61	70		58	72
High School	233		247	276	284		289	304
Total Fall Student Count	585		661	710	760		765	780
Prior Spring Count	467		569	652	689		737	742
Fall blend percent	*75%*		*75%*	*75%*	*75%*		*75%*	*75%*
Spring blend percent	*25%*		*25%*	*25%*	*25%*		*25%*	*25%*
Blended "Membership" Count	*574.7*	*	*637.1*	*695.5*	*749.7*	*	*758.1*	*770.5*
Foundation Allowance	*$6,838*		*$7,013*	*$7,243*	*$7,388*		*$7,536*	*$7,687*
Foundation Grant	$3,929,867		$4,468,263	$5,037,507	$5,538,784		$5,713,042	$5,922,834

* Note: New grades 1, 2 and 3 are not subject to prior year blending for 2004-2005 membership calculation.
Forecast assumes a newly-offerred Kindergarten grade will not be subject to prior year blending for fiscal 2007-2008 membership calculation.

NET DEBT SERVICE AND COVERAGE

The following table shows the Net Debt Service for the proposed Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 and does not include other long-term debt transactions Black River has incurred.

$8,885,000

Michigan Public Educational Facilities Authority
Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006

Net Debt Service Schedule & Coverage*

Date	Principal Redemption	Interest	Total P+I	On-Going Bond Expenses	Reserve Fund	Net Debt Service	Coverage	20% Gross State Aid	Gross State Aid **	State Aid Per Pupil	Blended Pupil Count
09/01/2006	-	-	-	-	-	-		893,596	4,467,982	7,013	637
09/01/2007	135,000.00	542,366.00	677,366.00	8,303.12	-	685,669.12	1.47	1,007,501	5,037,507	7,243	696
09/01/2008	190,000.00	486,478.76	676,478.76	13,687.50	-	690,166.26	1.61	1,107,757	5,538,784	7,388	750
09/01/2009	195,000.00	477,073.76	672,073.76	13,450.00	-	685,523.76	1.67	1,142,608	5,713,042	7,536	758
09/01/2010	210,000.00	467,323.76	677,323.76	13,206.25	-	690,530.01	1.72	1,184,567	5,922,834	7,687	771
09/01/2011	215,000.00	456,718.76	671,718.76	12,943.75	-	684,662.51	1.75	1,199,172	5,995,860	7,687	780
09/01/2012	230,000.00	445,700.00	675,700.00	12,675.00	-	688,375.00	1.74	1,199,172	5,995,860	7,687	780
09/01/2013	245,000.00	433,855.00	678,855.00	12,387.50	-	691,242.50	1.73	1,199,172	5,995,860	7,687	780
09/01/2014	250,000.00	421,115.00	671,115.00	12,081.25	-	683,196.25	1.76	1,199,172	5,995,860	7,687	780
09/01/2015	265,000.00	407,990.00	672,990.00	11,768.75	-	684,758.75	1.75	1,199,172	5,995,860	7,687	780
09/01/2016	280,000.00	393,812.50	673,812.50	11,437.50	-	685,250.00	1.75	1,199,172	5,995,860	7,687	780
09/01/2017	315,000.00	378,692.50	693,692.50	11,087.50	-	704,780.00	1.70	1,199,172	5,995,860	7,687	780
09/01/2018	335,000.00	361,367.50	696,367.50	10,693.75	-	707,061.25	1.70	1,199,172	5,995,860	7,687	780
09/01/2019	350,000.00	342,942.50	692,942.50	10,275.00	-	703,217.50	1.71	1,199,172	5,995,860	7,687	780
09/01/2020	350,000.00	323,692.50	673,692.50	9,837.50	-	683,530.00	1.75	1,199,172	5,995,860	7,687	780
09/01/2021	370,000.00	304,442.50	674,442.50	9,400.00	-	683,842.50	1.75	1,199,172	5,995,860	7,687	780
09/01/2022	390,000.00	284,092.50	674,092.50	8,937.50	-	683,030.00	1.76	1,199,172	5,995,860	7,687	780
09/01/2023	415,000.00	262,642.50	677,642.50	8,450.00	-	686,092.50	1.75	1,199,172	5,995,860	7,687	780
09/01/2024	435,000.00	238,572.50	673,572.50	7,931.25	-	681,503.75	1.76	1,199,172	5,995,860	7,687	780
09/01/2025	460,000.00	213,342.50	673,342.50	7,387.50	-	680,730.00	1.76	1,199,172	5,995,860	7,687	780
09/01/2026	495,000.00	186,662.50	681,662.50	6,812.50	-	688,475.00	1.74	1,199,172	5,995,860	7,687	780
09/01/2027	515,000.00	157,952.50	672,952.50	6,193.75	-	679,146.25	1.77	1,199,172	5,995,860	7,687	780
09/01/2028	545,000.00	128,082.50	673,082.50	5,550.00	-	678,632.50	1.77	1,199,172	5,995,860	7,687	780
09/01/2029	575,000.00	96,472.50	671,472.50	4,868.75	-	676,341.25	1.77	1,199,172	5,995,860	7,687	780
09/01/2030	595,000.00	63,122.50	658,122.50	4,150.00	(142,755.00)	519,517.50	2.31	1,199,172	5,995,860	7,687	780
09/01/2031	525,000.00	28,612.50	553,612.50	656.25	(553,612.50)	656.25	1,827.31	1,199,172	5,995,860	7,687	780
Total	**$8,885,000.00**	**$7,903,126.04**	**$16,788,126.04**	**$234,171.87**	**(696,367.50)**	**$16,325,930.41**					

* Preliminary, subject to change.

** Gross State Aid Previous 12 Month Period Ending August 20.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY BLACK RIVER PUBLIC SCHOOL.

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EXHIBIT B

AUDITED FINANCIAL STATEMENTS FOR THE ACADEMY FOR THE YEAR ENDING JUNE 30, 2005

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REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

July 21, 2005

Board of Trustees
Black River Public School
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BLACK RIVER PUBLIC SCHOOL**, as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Black River Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School as of June 30, 2005, and the respective changes in financial position, and the budgetary comparison of the general fund and the debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2005 on our consideration of Black River Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

2330 East Paris Avenue SE • P.O. Box 6547 • Grand Rapids, MI 49516-6547 • 616.975.4100 • Fax 616.975.4400 • www.rehmann.com

The Management's Discussion and Analysis on pages 3-16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Black River Public School's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of Black River Public School's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

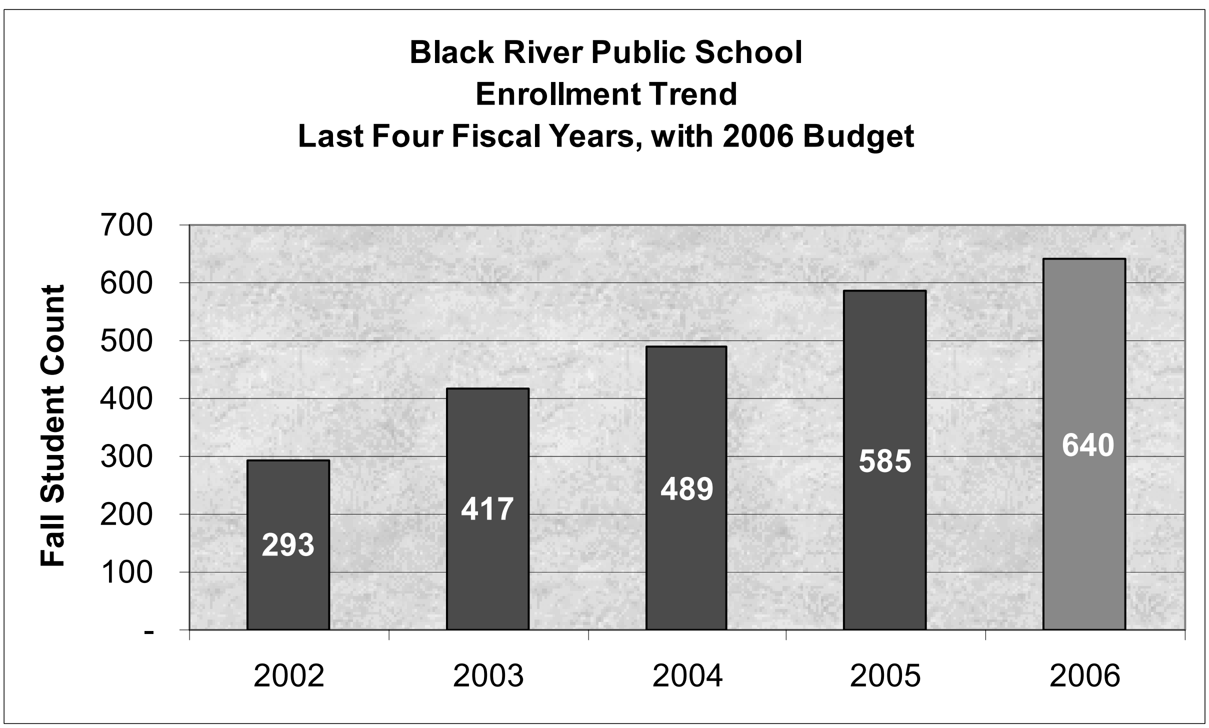
Rehmann Robson

Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As management of the Black River Public School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found in the introductory section of this report, and the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net assets increased by $715,197, or 22 percent, over June 30, 2004.
- Enrollment in grades 1-12 increased 19.6 percent to 585, its highest level ever, including 83 students in the newly added grades 1-3, which comprise a lower elementary program with first through third graders in the same multi-age Montessori classroom.
- Overall revenues were $5.05 million compared to $4.33 million of expenses.
- Black River's general fund revenues rose 28.5 percent to $4.6 million, $288,693 more than expenditures and other financing uses.
- General fund instruction and support services costs, a measure of the cost of day-to-day school operations, rose 17.4 percent to $3.5 million.
- Outlays for new capital assets were $631,792, of which $587,476 (95 percent) was the cost of acquiring and installing a modular building with eight classrooms, which houses the new lower elementary Montessori program.



Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2005

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can under Black River Public School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the School as a Whole

The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about Black River's overall financial status. These are the Statement of Net Assets and the Statement of Activities, which report the School's net assets on page 18 and changes in those assets on page 19. These statements use a full accrual basis of accounting, which is similar to the accounting used by private sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Reporting the School's Most Significant Funds

The remaining statements are *fund financial statements*, which begin on page 20 and focus on individual parts of the School, reporting the School's operations in *more detail* than the *government-wide* statements.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- *Fiduciary funds statements* provide information about the financial relationships in which the School acts solely as a *trustee or agent* for the benefit of others. Student activity funds, for example, are held in a school bank account on behalf of the student group.

The fund financial statements are reported on a modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Using this basis of accounting, the fund financial statements recognize revenues when both measurable and available as more fully described in the notes to the financial statements. The relationship (or differences) between governmental activities (as reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *supplementary information,* which provides detail on original budget and final budget with a comparison to operating results.

Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2005

REPORTING THE SCHOOL AS A WHOLE:
GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the governmental activities of Black River as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities, both short and long term, regardless of whether they are "currently available." For example, assets that are restricted for use in the Debt Retirement Fund solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

Net Assets

The Statement of Net Assets provides the perspective of the School as a whole. The following table shows the condensed statement of net assets compared to prior year.

Condensed Statement of Net Assets
(dollars in thousands)

	Governmental Activities		Percentage Change
	2004	2005	2004-2005
Current assets	$ 1,434.7	$ 1,932.5	34.7%
Capital assets	8,914.4	9,251.7	3.8%
Total assets	10,349.1	11,184.2	8.1%
Long-term debt outstanding	6,184.8	6,231.6	1.0%
Other liabilities	891.5	964.5	5.5%
Total liabilities	7,076.3	7,196.1	1.6%
Net assets:			
Invested in capital assets, net of related debt	2,561.9	2,691.7	5.1%
Restricted	598.6	860.7	43.8%
Unrestricted	112.4	435.7	294.9%
Total net assets	$3,272.9	$ 3,998.1	22.1%

Statement of Activities

The following table presents the revenues and expenses for the current fiscal year compared to prior year.

Changes in Net Assets from Operating Results (in thousands of dollars)

	Governmental Activities	
	2004	2005
Revenues:		
Program revenues		
Charges for services	$ 22.8	$ 35.0
Operating grants & contributions	391.1	726.6
General revenues		
State school aid, unrestricted	3,119.8	3,841.1
Other	198.3	442.2
Total revenues	3,732.0	5,045.5
Expenses:		
Instruction	2,015.4	2,341.0
Support Services	1,236.8	1,446.2
Food Service	48.3	58.2
Athletics	68.2	56.4
Yearbook	8.7	8.3
Interest on debt	413.1	420.2
Total expenses	3,790.5	4,330.3
Increase (decrease) in net assets	$ (58.5)	$ 715.2

Net Assets Analysis. Capital assets net of related debt was up $262,136 (5.1%), a large portion of which was $179,690 of capital outlay, financed from general fund operations rather than debt, which was the cost to install the 8-classroom modular building that houses the lower elementary program. The building cost of $385,000 was debt financed.

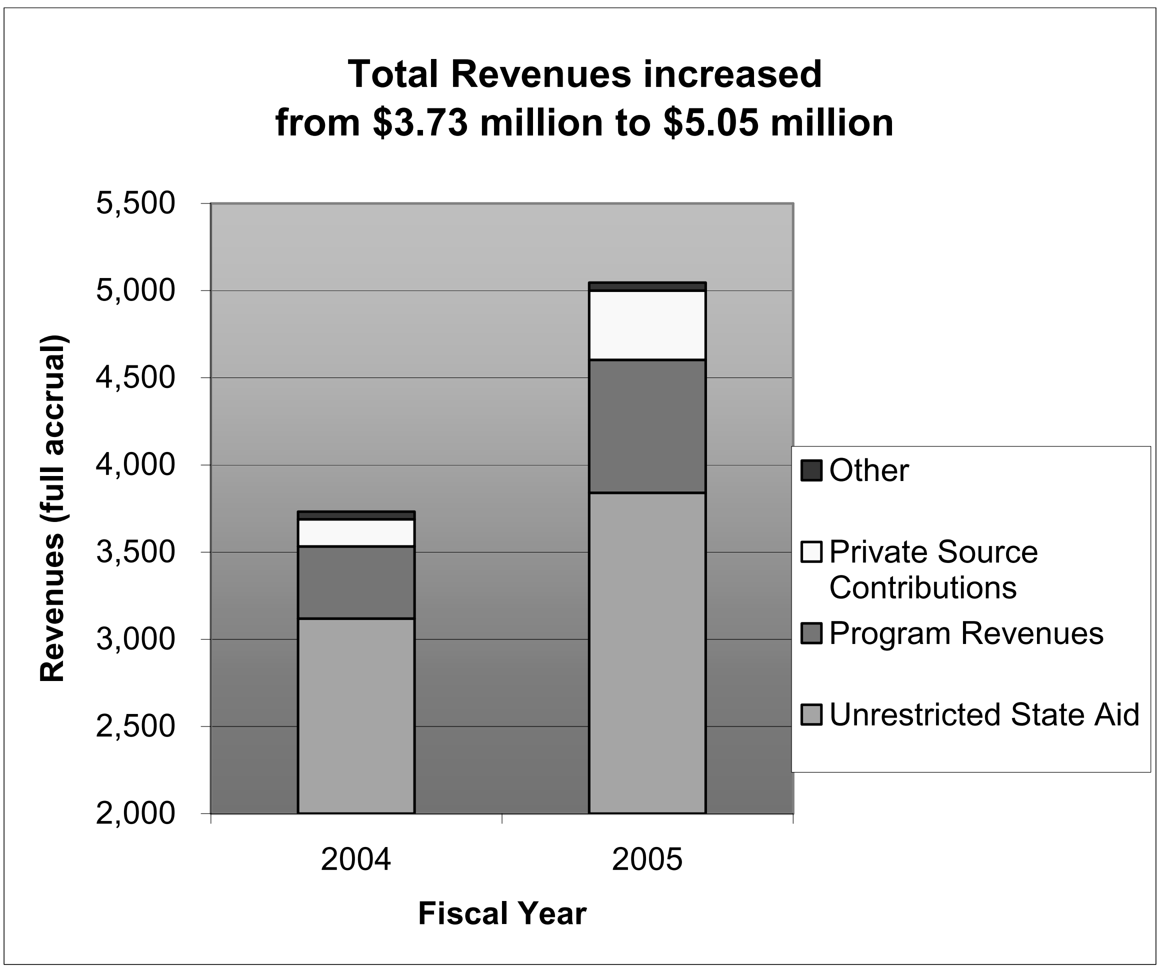
Restricted net assets increased by $262,136 (43.8%), due largely to new pledges receivable totaling $227,097.

Revenue/Cost Analysis of Elementary Program. A substantial portion of the increase in unrestricted net assets can be explained by the expansion of the elementary program as shown in the following table. For this analysis, contribution margin is defined as the elementary programs state foundation revenue minus the elementary instruction cost.

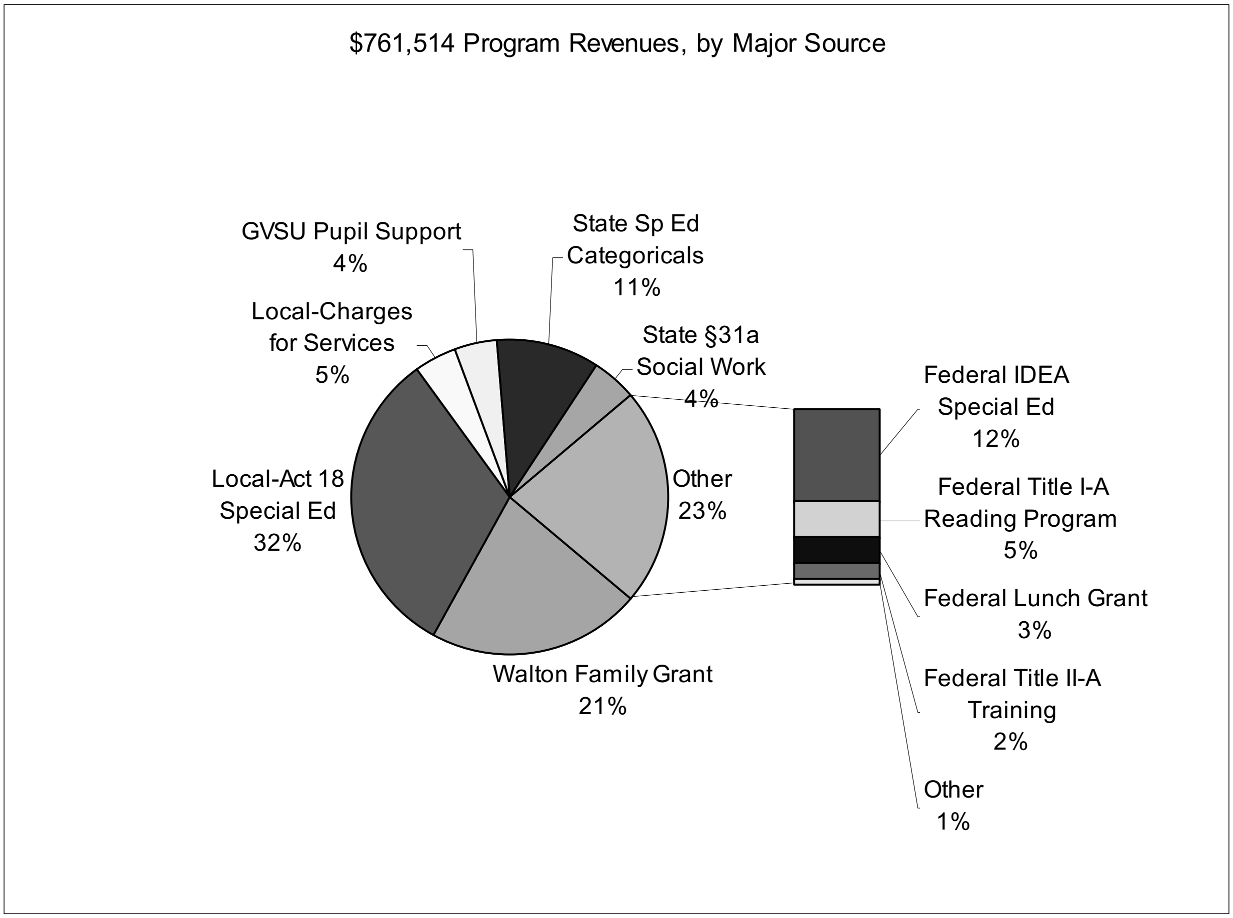
Elementary Program Enrollment, Foundation Revenue, and Direct Costs (dollars in thousands)

	2003	2004	Increase	Percent
Elementary Enrollment	81.00	167.00	86.00	106%
Membership blend	74.25	164.70	90.45	122%
Foundation revenue	$ 507.7	$ 1,126.2	$ 618.5	122%
Instruction cost	216.1	497.4	281.3	130%
Contribution margin	$ 291.6	$ 628.8	$ 337.2	116%

The $323,496 (295%) increase in unrestricted net assets is largely a result of this $337,200 increase in the contribution margin of the elementary program.



Program Revenues. The composition of program revenues, which increased 84% over the prior year to $761,514, is as follows:



The School recognized $163,289 in program revenue from a startup grant provided by the Walton Family Foundation (Bentonville, AR) to support the first year startup operations of the lower elementary multi-age classroom Montessori program for grades 1, 2 and 3. The gift was received and reported as deferred revenue in the prior year and grant funds were expended and program revenue recognized in the current year.

The School received significant funding for the first time pursuant to the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB). ESEA funds may not "supplant" other funding meaning this federal money must first be used for new programs and/or services not previously offered. The School received approval and began a program to provide paraprofessional support of student literacy and language arts skills using Title I, Part A funds which are designated for "improving the academic achievement of the disadvantaged." The School's program defines a student to be "at risk" if his or her reading skills are below grade level. Title I Aides were added to identify and provide remedial services to this sub-population of students. Based on the School's numbers of students receiving free and reduced priced lunches pursuant to the National School Lunch Program

(NSLP), the school received an allocation of $18,278 and applied in time to carry over into fiscal 2005 a prior year allocation $16,015. The School also received $13,670 in current and carryover Title II, Part A money, which is earmarked for programs "preparing, training, and recruiting high quality teachers and principals." This program, initiated with carryover money in the prior year, is used to provide teachers that are new to the Montessori method with intensive Montessori summer training and certification through the Michigan Montessori Teacher Education Center (Rochester Hills, Michigan).

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS: FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the school organization as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law, while other funds may be established by the School to help manage money for particular purposes.

The School has two kinds of funds:

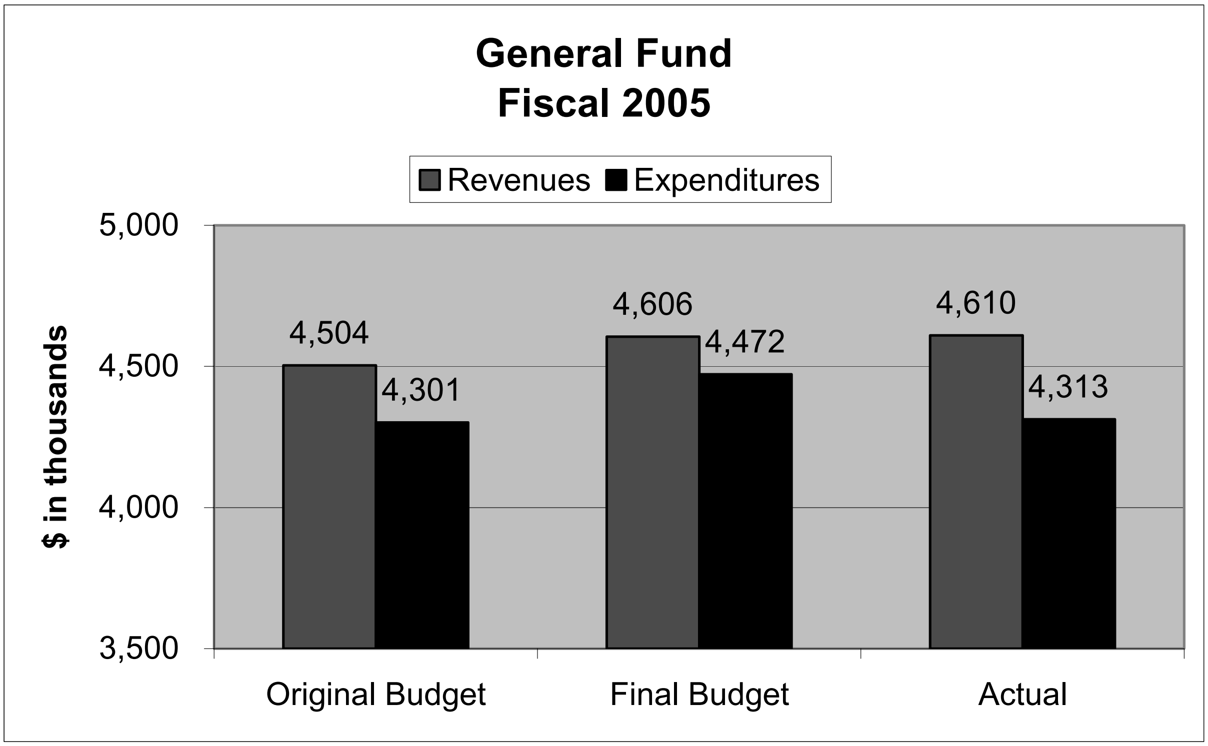
- *Governmental Funds*: Most of the School's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements on pages 20 and 22 provide a detailed short-term view that helps to illustrate whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information follows each Governmental Funds statement on pages 21 and 23 to explain the relationship (or reconcile the differences) between the government-wide statements and Governmental Funds statements.

Black River's Governmental Funds include the general fund, capital projects fund, debt service fund and special revenue funds.

- *Fiduciary Funds*: The School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds or student activities. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activity balances are reported in a separate Statement of Fiduciary Assets and Liabilities on page 26. The School excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

General Fund Budgetary Highlights

As required by state law, the Board of Trustees adopted a balanced budget prior to the start of the fiscal year. During the fiscal year ended June 30, 2005, the School revised the general fund budget twice.



Revenues. The overall difference between the original budget and the amended budget for revenues reflected an increase of $101,528 (2.2%). Budget adjustments were made to various revenue sources, the largest reasons for which were:

- The final budget for local-sourced Act 18 special education millage revenue was $244,000, reflecting an allocation $44,000 higher than originally planned
- The final budget for federally sourced Individuals with Disabilities Education Act (IDEA) funding of special education was $92,562, which was $32,562 higher than planned in the original budget

Actual general fund revenues were $3,574 (0.07%) favorable to the final budget.

Expenditures. The final amended budget for general fund expenditures and other financing uses was greater than the original budget by $170,329 (4.0%). Actual expenditures and other financing uses were $150,801 (3.5%) favorable to the final budget. Spending was less than or equal to the final budget appropriations in every functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, Black River had invested $9.25 million in capital assets net of depreciation. The increase of approximately $337,000 or 38 percent from last year depicts the result of capital additions of $632,000 less depreciation expense of $294,500. The following schedule presents capital asset balances net of depreciation as of the current and prior year year-end dates.

Capital assets
(net of depreciation, in thousands of dollars)

	Governmental Activities	
	2004	2005
Land and improvements	$ 452	$ 452
Buildings and improvements	8,317	8,647
School buses	55	46
Furniture and equipment	90	106
	$ 8,914	$ 9,251

Acquisition and installation costs of the eight-classroom modular building, previously described in the financial highlights, represent 95 percent of the capital additions for the year.

Debt. At June 30, 2005, Black River had $6.56 million in outstanding debt, which represents an increase of 3.3 percent. The increase in debt was largely due to the financing of the eight-classroom modular building acquisition.

Outstanding debt
(in thousands of dollars)

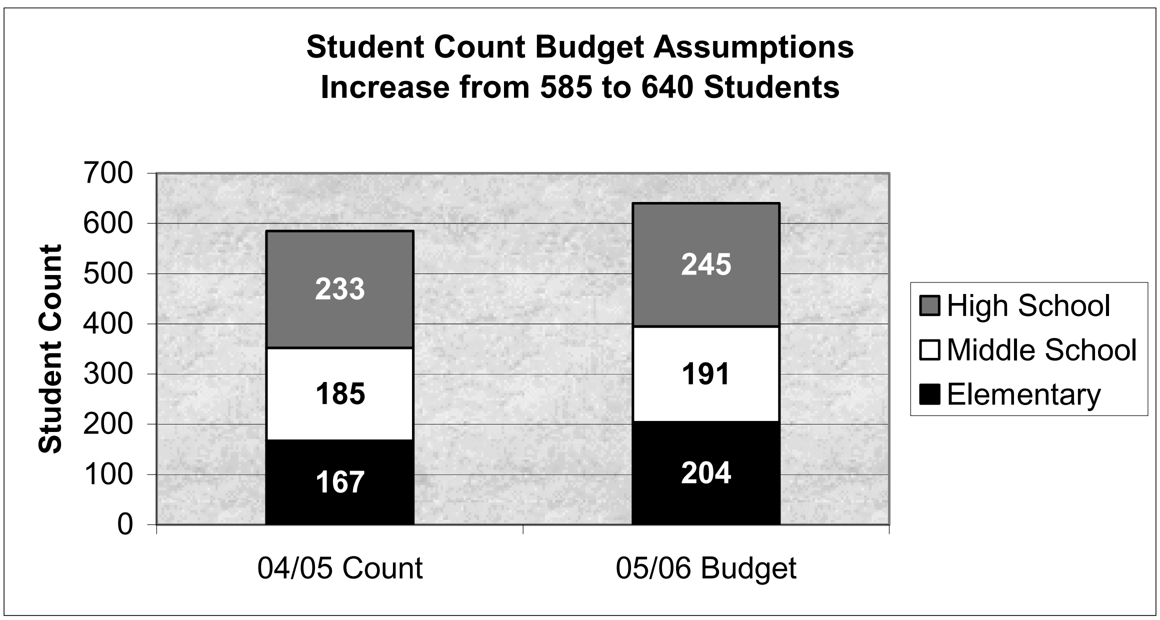
	Governmental Activities	
	2004	2005
Certificates of participation	$ 5,615	$ 5,530
Capital lease obligation - school buses	53	45
Note payable – 2003 classrooms	338	266
Note payable – 2004 classrooms	-	372
Note payable to BASF Corp.	347	347
	$ 6,353	$ 6,560

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the School's administration during the process of developing the fiscal year 2005-2006 budget. The principal factor was the School's anticipated student enrollment, which drives staffing requirements and other variable costs. Staffing costs typically represent more than 70 percent of general fund expenditures.

Budgeted Student Count

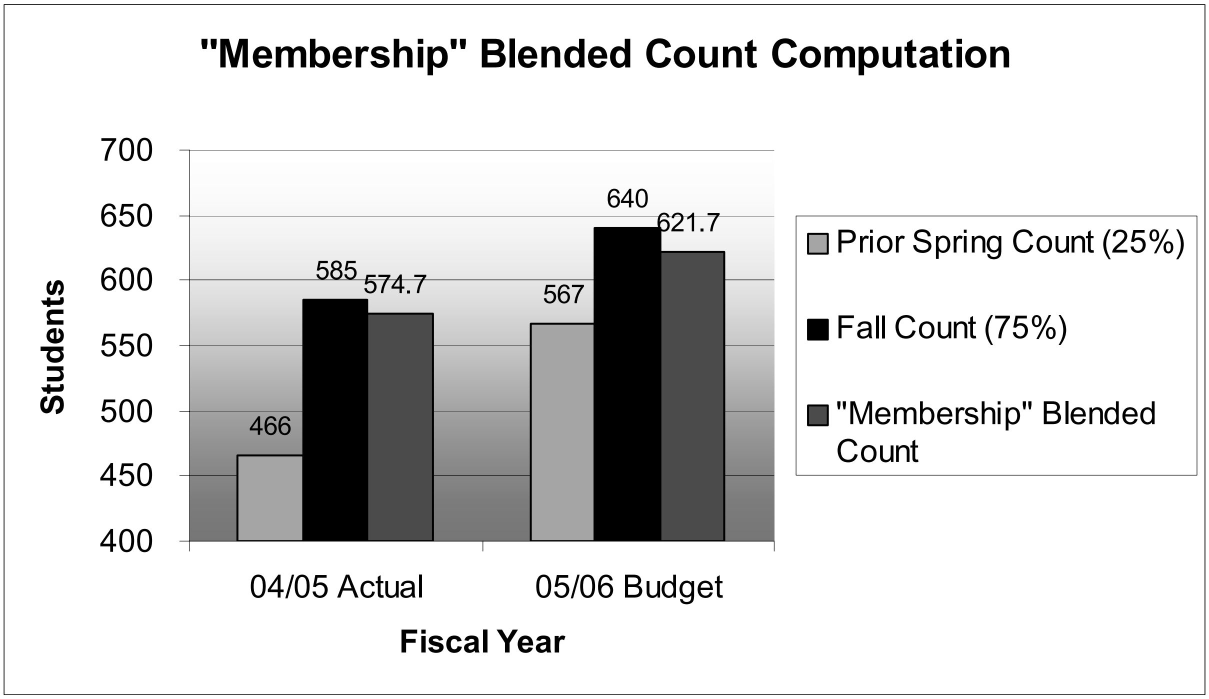
The principal factor driving operating revenues and expenses is the count of students enrolled and in attendance at Black River on the fall count day in September and spring count day in February. The School's open enrollment policy was adjusted slightly for 2005-2006 academic year by stipulating the open enrollment for the fall closed on the last Monday in March 2005, a full month earlier than in prior years. Management is able to plan for the size of each grade during the spring budgeting and strategic planning process.



Based on student applications received before the end of open enrollment, the School increased by 40 the number of spaces available in the lower elementary Montessori program (grades 1-3) and was able to budget accordingly. Grades 4-12 combined were budgeted to grow in fiscal 2006 by a net of 15 students above the prior year.

Budgeted State School Aid, Foundation Grant

The state foundation grant revenue is determined by multiplying the blended student count by the per-pupil foundation allowance. Generally, the membership count is computed by adding 75% of the current fall count to 25% of the prior spring count. The 2006 budget was built on a membership blend of 621.7 as illustrated in the following table.



Foundation revenue for 2006 is budgeted to increase accordingly as illustrated in the following table:

Student Membership and Foundation Grant Revenue
Last Three Fiscal Years, with 2006 Budget

Fiscal Year	Fall Count (FTE)	Membership Pupils	Foundation Allowance	Total Foundation Grant	General Ed Unrestricted Foundation	Special Ed Program Foundation
2002-2003	415.00	386.43	$ 6,838	$ 2,642,408	$ 2,584,627	$ 57,781
2003-2004	487.80	467.67	6,764	3,163,320	3,083,572	79,748
2004-2005	584.15	574.71	6,838	3,929,867	3,840,221	89,646
2005-2006	*640.00*	*621.69*	*7,013*	*4,359,912*	*4,235,431*	*124,481*

At Black River, an effort is made to mainstream special education students into the general education classrooms to the greatest extent possible. The large proportion of a special education student's day is spent in general education classrooms, often with a certificated special education teacher and/or a paraprofessional aide in the room to provide support. The individualized education program (IEP) of a typical special education student at the School spends less than 25% of their academic day in classrooms led by a special education teacher, which is typically for a resource room period during which time students are provided special needs assistance to help them to succeed in their academic coursework. For the 2004/2005 academic year, 72 special education students (12.3% of the student population) were designated to be 58.38 full-time equivalents (FTE) as general education students and 13.62 FTE under direct special education instruction. Using the State of Michigan's blending methodology, the School had special education membership of 13.11 in 2005, which is budgeted to rise to 17.75 in fiscal 2006. The special education foundation grant revenue associated with this special education membership ($89,646 in 2005 and $124,481 per the 2006 budget) is treated as a state categorical program revenue. The portion of the foundation grant associated with general education membership is categorized as unrestricted general revenue.

Budgeted Staffing Resources

Based on student registrations at the close of open enrollment, staffing was budgeted for 2005/2006 as shown in the following table:

Staffing Level History (FTE), Last Three Fiscal Years, with 2006 Budget

	02/03	03/04	04/05	05/06
Instructional Staff:				
Elementary	3.40	4.50	8.50	11.25
Middle School	10.10	11.95	11.95	11.40
High School	12.20	15.20	13.90	16.30
Title I Aides	-	-	2.00	2.00
Special Education	4.00	5.15	4.80	4.55
Instruction Subtotal	29.70	36.80	41.15	45.50
Other Staff	9.30	8.05	9.65	10.50
Total Staffing	39.00	44.85	50.80	56.00

Budgeted Revenues and Expenditures

Taking into consideration all these factors, management developed the 2006 general fund budget as shown in the following table:

General Fund Changes in Fund Balance, Last Three Fiscal Years, with 2006 Budget

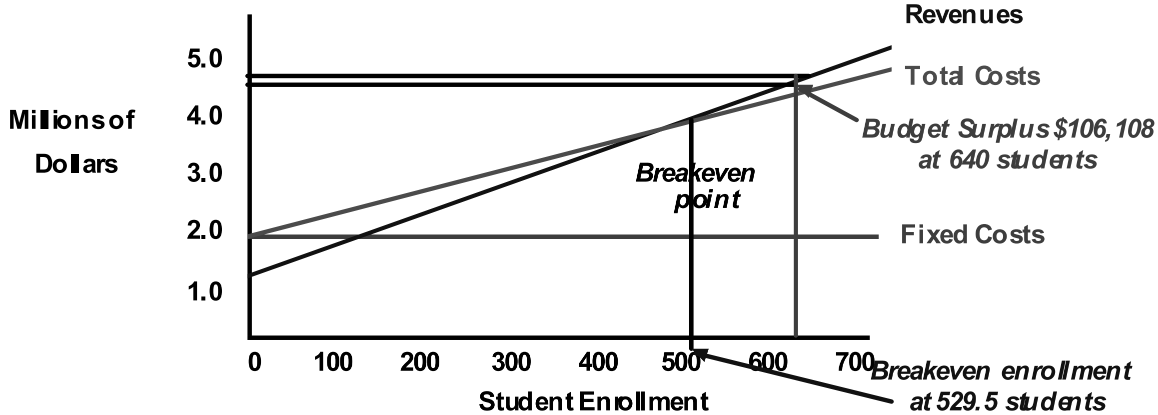
	2003	2004	2005	2006
Revenues	$3,086,311	$3,586,381	$4,609,574	$4,822,104
Expenditures				
Instruction	1,437,785	1,806,550	2,114,147	2,425,144
Support services	1,160,513	1,175,416	1,395,841	1,479,520
Capital outlay	-	-	52,356	-
Debt Service:				
Principal	-	25,727	92,490	241,070
Interest	-	12,137	24,555	19,999
Total expenditures	2,598,298	3,019,830	3,679,389	4,165,733
Rev over/(under) Exp	488,013	566,551	930,185	656,371
Transfers:				
to Special Revenue	(62,146)	(77,282)	(59,709)	(69,903)
to Debt Service	(449,625)	(397,022)	(402,093)	(480,360)
to Capital Projects	-	(82,233)	(179,690)	-
Change in fund balance	(23,758)	10,014	288,693	106,108
Fund balance, beginning	106,556	82,798	92,812	381,505
Fund balance, ending	$ 82,798	$ 92,812	$ 381,505	$ 487,613

Black River Public School
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Breakeven Enrollment

Management finds it helpful to describe the general fund's financial structure in relation to a breakeven level of student enrollment, which is the theoretical student count beyond which total revenues exceed total expenditures.

General Fund Financial Structure
Breakeven Analysis for 2006 Budget



Factors in determining breakeven enrollment are fixed costs, fixed revenues, and the contribution margin per student, which is the per student variable revenue less variable costs. Management has identified costs in the budget totaling $1,939,859 that could be adjusted during the budgetary process based on student numbers at the close of open enrollment. These variable costs are the instruction, pupil support, charter agency fee, and pupil transportation functions. All other costs are considered to be fixed in the short term, even though some portions of administrative overhead could be adjusted, if necessary. Except for the foundation grant portion of state school aid, all other budgeted general fund revenues are treated as fixed for the short term. And a close look at the foundation grant formula reveals that a portion is fixed based on the spring count taken in February before the fiscal year – or the formal budget process – has begun. The budgeted foundation grant revenue was calculated as follows:

Count Day	Count		Blend	Membership		Per Pupil		Foundation Grant
Feb 2005	566.75	x	25% =	141.69	x	$7,013	=	$ 993,672
Sep 2005	640.00	x	75% =	480.00	x	$7,013	=	3,366,240
				621.69	x	$7,013	=	$4,359,912

Revenues fixed before the end of the budget process were $993,672 of the foundation grant and other revenues totaling $458,002 .

The School's breakeven enrollment, therefore, is 529.5 FTE students, calculated as follows:

BE = Breakeven number of students enrolled
BE = (Fixed Costs – Fixed Revenues) / (Marginal Revenue per student – Marginal Cost Per Student)
BE = ($1,939,859 - $1,451,714) / ($5258.75 - $4337.714)
BE = 529.5 students

Management is confident that enrollment for the September 2005 count day will be well above breakeven, considering that 691 applications were received before the close of open enrollment for 650 available spaces. Each summer before the start of the new school year, management manages the wait list to try to accept as many students as possible without compromising the average-class-size-of-20 target per the School's mission.

Pledged Revenue Coverage

As shown at Schedule C-1 on page 54, Pledged Revenues coverage of debt service under the $5.77 million Full Term Certificates of Participation Series 2000 has been more than adequate each year. Budgeted state school aid revenues of $4.4 million for 2006 would create Pledged Revenues of $880,000 resulting in a budgeted Pledged Revenue Coverage ratio of 1.83 times the debt service ($480,662).

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The School's financial statements are designed to present users – citizens, taxpayers, customers, investors and creditors – with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the School's business office at Black River Public School, 491 Columbia Avenue, Holland, MI 49423-4838.

Black River Public School
Statement of Net Assets
June 30, 2005

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 217,216
Investments	674,725
Receivables:	
Accounts	232,022
Due from other governmental units	808,546
Total current assets	1,932,509
Noncurrent assets:	
Land	452,430
Buildings and equipment	10,177,292
Less accumulated depreciation	(1,378,065)
Total noncurrent assets	9,251,657
Total assets	11,184,166
LIABILITIES	
Current liabilities:	
Accounts payable	339,967
Line of credit	90,000
Accrued expenses	185,098
Due to other governmental units	21,070
Current portion of long-term debt	328,347
Total current liabilities	964,482
Noncurrent liabilities:	
Noncurrent portion of long-term debt	6,231,633
Total liabilities	7,196,115
NET ASSETS	
Invested in capital assets, net of related debt	2,691,677
Restricted for capital projects	185,999
Restricted for debt service	674,725
Unrestricted	435,650
Total net assets	$ 3,988,051

The accompanying notes are an integral part of these financial statements.

Black River Public School
Statement of Activities
For the Year Ended June 30, 2005

		Program Revenues		
Functions / Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Net (Expense) Revenue**
Governmental activities:				
Instruction	$2,340,948	$ -	$ 667,185	$ (1,673,763)
Supporting services	1,446,205	660	33,420	(1,412,125)
Food services	58,208	23,123	25,957	(9,128)
Athletics	56,448	3,084	-	(53,364)
Yearbook	8,349	8,085	-	(264)
Interest on long-term debt	420,190	-	-	(420,190)
Total governmental activities	$4,330,321	$ 34,952	$ 726,562	(3,568,807)

General revenues:	
Contributions from private sources	396,811
State of Michigan school aid, unrestricted	3,841,051
Miscellaneous general revenue	33,888
Unrestricted investment earnings	12,254
Total general revenues	4,284,004
Change in net assets	715,197
Net assets, beginning of year	3,272,854
Net assets, end of year	$ 3,988,051

The accompanying notes are an integral part of these financial statements.

Black River Public School
Balance Sheet
Governmental Funds
June 30, 2005

	General	Debt Service	Capital Projects	Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	$ 12,004	$ -	$185,999	$ 19,213	$ 217,216
Investments	-	674,725	-	-	674,725
Due from other governmental units	808,546	-	-	-	808,546
Accounts receivable	4,925	-	227,097	-	232,022
Total assets	$ 825,475	$ 674,725	$ 413,096	$ 19,213	$ 1,932,509
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$332,900	$ -	$ -	$ 7,067	$ 339,967
Line of credit payable	90,000	-	-	-	90,000
Due to other governments	21,070	-	-	-	21,070
Deferred revenue	-	-	227,097	-	227,097
Total liabilities	443,970	-	227,097	7,067	678,134
Fund balances:					
Reserved for:					
Debt service	-	674,725	-	-	674,725
Capital projects	-	-	185,999	-	185,999
Unreserved, reported in:					
General fund	381,505	-	-	-	381,505
Special revenue funds	-	-	-	12,146	12,146
Total fund balances	381,505	674,725	185,999	12,146	1,254,375
Total liabilities and fund balances	$ 825,475	$ 674,725	$ 413,096	$ 19,213	$ 1,932,509

The accompanying notes are an integral part of these financial statements.

Black River Public School
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets
June 30, 2005

Fund balances - total governmental funds	$ 1,254,375
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	10,629,722
Deduct - accumulated depreciation	(1,378,065)
Certain assets, such as pledges receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund.	
Add: pledges receivable	227,097
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - notes & contracts payable	(6,559,980)
- accrued liabilities	(185,098)
Net assets of governmental activities	$ 3,988,051

The accompanying notes are an integral part of these financial statements.

Black River Public School
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Non-Major Funds	Total
REVENUE					
Local sources	$ 457,688	$ 8,606	$ 155,128	$ 37,016	$ 658,438
Intermediate sources	33,420	-	-	-	33,420
State sources	3,974,951	-	-	830	3,975,781
Federal sources	143,515	-	-	25,957	169,472
Total revenue	4,609,574	8,606	155,128	63,803	4,837,111
EXPENDITURES					
Current:					
Instruction	2,114,147	-	-	-	2,114,147
Supporting services	1,395,841	-	-	116,983	1,512,824
Capital outlay	52,356	-	552,369	-	604,725
Debt service:					
Principal	92,490	85,000	-	-	177,490
Interest	24,555	396,018	-	-	420,573
Total expenditures	3,679,389	481,018	552,369	116,983	4,829,759
Revenue over (under) expenditures	930,185	(472,412)	(397,241)	(53,180)	7,352
OTHER FINANCING SOURCES (USES)					
Issuance of notes	-	-	385,000	-	385,000
Transfers in	-	402,093	179,690	59,709	641,492
Transfers out	(641,492)	-	-	-	(641,492)
Total other financing sources (uses)	(641,492)	402,093	564,690	59,709	385,000
Net changes in fund balances	288,693	(70,319)	167,449	6,529	392,352
Fund balances, beginning of year	92,812	745,044	18,550	5,617	862,023
Fund balances, end of year	$ 381,505	$ 674,725	$ 185,999	$ 12,146	$1,254,375

The accompanying notes are an integral part of these financial statements.

Black River Public School

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	$ 392,352
Amounts reported for *governmental activities* in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	631,792
Deduct - depreciation expense	(294,504)
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but a reduction in long-term liabilities on the statement of net assets.	
Add - principal payments on long-term liabilities	177,490
Deduct - issuance of debt	(385,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - change in deferred revenue	208,380
Deduct - increase in accrued liabilities	(15,313)
Change in net assets of governmental activities	$ 715,197

The accompanying notes are an integral part of these financial statements.

Black River Public School
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE				
Local sources	$ 399,039	$ 455,000	$ 457,688	$ 2,688
Intermediate sources	23,400	33,000	33,420	420
State sources	3,976,278	3,974,500	3,974,951	451
Federal sources	105,755	143,500	143,515	15
Total revenue	4,504,472	4,606,000	4,609,574	3,574
EXPENDITURES				
Current:				
Instruction	2,122,828	2,161,000	2,114,147	46,853
Supporting services	1,361,612	1,454,000	1,395,841	58,159
Capital outlay	-	57,000	52,356	4,644
Debt service:				
Principal	114,059	102,295	92,490	9,805
Interest	12,436	27,893	24,555	3,338
Total expenditures	3,610,935	3,802,188	3,679,389	122,799
Revenue over expenditures	893,537	803,812	930,185	126,373
OTHER FINANCING (USES)				
Transfers out	(690,418)	(669,494)	(641,492)	28,002
Net changes in fund balances	203,119	134,318	288,693	154,375
Fund balances, beginning of year	92,812	92,812	92,812	-
Fund balances, end of year	$ 295,931	$ 227,130	$ 381,505	$ 154,375

The accompanying notes are an integral part of these financial statements.

Black River Public School
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Local sources	$ 500	$ 500	$ 8,606	$ 8,106
EXPENDITURES				
Debt service:				
Principal	85,000	85,000	85,000	-
Interest	396,018	396,018	396,018	-
Total expenditures	481,018	481,018	481,018	-
Revenue (under) expenditures	(480,518)	(480,518)	(472,412)	8,106
OTHER FINANCING SOURCES				
Transfers in	420,304	420,304	402,093	(18,211)
Net changes in fund balances	(60,214)	(60,214)	(70,319)	(10,105)
Fund balances, beginning of year	745,044	745,044	745,044	-
Fund balances, end of year	$ 684,830	$ 684,830	$ 674,725	$ (10,105)

The accompanying notes are an integral part of these financial statements.

Black River Public School
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005

ASSETS	
Cash and cash equivalents	$ 13,926
Total assets	$ 13,926
LIABILITIES	
Due to BRPS parent organization	$ 7,134
Faculty/staff appreciation account	1,344
Due to student and other groups	5,448
Total liabilities	$ 13,926

The accompanying notes are an integral part of these financial statements.

Black River Public School
Notes to Financial Statements
For the Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Black River Public School (the "School") consistently applied in the preparation of the accompanying financial statements follows.

Black River Public School, Holland, Michigan, is a not-for-profit Michigan public school academy, which provides education to children in grades 1-12 from the surrounding community. Black River Public School operates under a charter approved by the Board of Trustees of Grand Valley State University, which is responsible for oversight of the School's operations.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Black River Public School. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the School reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The School had no *business-type activities* during the year ended June 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted State school aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (reporting the School as a whole) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State school aid is recognized as revenue in the school year for which it is given. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting and does not have a measurement focus.

Governmental fund financial statements (reporting the School's major funds) are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State school aid, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the school.

Governmental Funds

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds. The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund and is used to record the general operations of the School pertaining to education. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The *debt service fund* accounts for receipt of funds and payment of interest, principal, and related cost of certain long term debt. The debt service fund records the activities the Pledged Revenue, Reserve, and Certificate Payment accounts established pursuant to the Trust Agreement that administers the servicing of the Full Term Certificates of Participation, Series 2000.

The *capital projects fund* accounts for the accumulation and disbursement of resources for the acquisition or construction of major capital items.

Additionally, the School reports the following fund types:

Special revenue funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The School maintains three special revenue funds: Food Service, Interscholastic Athletics, and Yearbook.

Fiduciary funds are used to account for assets held by the School in a trustee capacity or as agent. The School's only fiduciary fund is the Agency Fund, which is used to account for assets held by the School as agent for student activities or school-related organizations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all unrestricted state aid, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP) for general and special revenue funds as required by the State of Michigan Uniform Budgeting and Accountant Act, as amended by Public Act 621 of 1978 ("Public Act 621"). The School also adopts a budget for the debt service fund based on GAAP and the schedules of pledged revenue deposits and debt service payments. The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Head of School and Director of Business Services submit to the Board a proposed operating budget for the fiscal year commencing the following July 1.

2. A public hearing is conducted to obtain public comments.

3. The budget is legally enacted through passage of a resolution.

4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.

5. Adoption and amendments of all budgets used by the School are governed by Public Act 621, which was followed for the year ended June 30, 2005. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget developed by the Head of School and Director of Business Services. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

Encumbrances

The School does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Deposits and Investments

The School considers cash on hand, demand deposits and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All investments are recorded at fair value.

Receivables

The School follows the practice of recording as receivables revenues that have been earned but not yet received.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Machinery and equipment	10-20
Vehicles	5-8

Accrued Expenses

A liability is recorded at June 30 for amounts owed to Education Associates, the School's non-profit management company, for those amounts owed by Education Associates to teachers and other staff members who do not work during the summer but are contracted to have their salaries paid over a twelve-month period. This has the effect of properly charging these contracted staffing costs to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The School has also recorded accrued expense for amounts to be reimbursed to Education Associates after June 30, 2005, for the post-year-end cost to Education Associates of funding FICA, staff health insurance and compensated absences costs, as well as retirement plan funding, related to the services of School staff during the school year and fiscal year ended June 30, 2005.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, premiums and discounts, as well as issuance costs, are capitalized and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the School Board for future expenditures.

The School has no reservations or designations of fund balances at June 30, 2005.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Foundation Revenue

The State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by Michigan's State School Aid Act (Public Act 94 of 1979, as amended) and the Revised School Code (Public Act 451 of 1976, as amended). The Michigan Department of Education administers the allocation of state funds to public schools based on information supplied by the schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. As a public school academy, the School is not eligible to receive any portion of local non-homestead property taxes. The state revenue is recognized during the foundation period (currently the fiscal year).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, the School has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the School. As of June 30, 2005, there were no interfund payables or receivables.

2. STATE OF MICHIGAN SCHOOL AID

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by appropriations from the state legislature pursuant to the State School Aid Act. State funding provided 86% of general fund revenue to the School during the 2005 fiscal year.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Fiduciary Activities	Total
Cash and cash equivalents	$217,216	$13,926	$231,142

Statutory Authority

Michigan law authorizes the School to deposit and invest in:

a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The Black River Public School's investment policy allows for all of these types of investments.

Deposits are in two (2) financial institutions located in Michigan. State policy limits the School's investing options to financial institutions located in Michigan. All accounts are in the name of the School and a specific fund or common account. They are recorded in School records at fair value.

The School chooses to disclose its investments by specifically identifying each. As of year end, the School had the following investments.

Investment	Maturity	Fair Value	Rating
First American Funds Treasury Obligations Fund Class D	From 1 to 397 days (average of 26 days)	$674,725	Moody's Aaa S&P AAAm

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and state law does not require a policy for deposit custodial credit risk. As of year end $142,417 of the School's bank balance of $256,027 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has not adopted and state law does not require a policy for investment custodial credit risk. Of the above investments custodial credit risk cannot be determined because the investments are not in specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are held in one investment managed pursuant to a trust agreement.

4. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2005 was as follows

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
Governmental activities				
Nondepreciable capital assets:				
Land	$ 452,430	$ -	$ -	$ 452,430
Total nondepreciable capital assets	452,430	-	-	452,430
Depreciable capital assets:				
Buildings and improvements	9,337,653	597,476	-	9,935,129
Machinery and equipment	132,347	34,316	-	166,663
Vehicles	75,500	-	-	75,500
Total depreciable capital assets	9,545,500	631,792	-	10,177,292
Less accumulated depreciation:				
Buildings and improvements	1,020,057	268,708	-	1,288,765
Machinery and equipment	46,597	16,234	-	62,831
Vehicles	16,907	9,562	-	26,469
Total accumulated depreciation	1,083,561	294,504	-	1,378,065
Total capital assets being depreciated, net	8,461,939	337,288	-	8,799,227
Government activities capital assets, net	**$8,914,369**	**$337,288**	**$ -**	**$ 9,251,657**

For governmental activities, depreciation expense was charged to functions as follows:

Instruction	$226,801
Supporting services	61,681
Food service	5,406
Athletics	616
Governmental activities depreciation expense	**$294,504**

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers primarily reflect subsidies allocated from the General Fund.

	In	Out
Interfund transfers		
General fund	$ -	$641,492
Debt service	402,093	-
Capital projects	179,690	-
Nonmajor funds		
Food service special revenue	9,035	-
Athletics special revenue	50,674	-
Total	**$641,492**	**$641,492**

6. LINE OF CREDIT

The School receives operating cash flow by utilizing an $850,000 revolving line of credit with Chemical Bank Shoreline, that is authorized by an Order of Approval by the Department of Treasury of the State of Michigan pursuant to Section 1225 of the Michigan Revised School Code. The line of credit is secured by a pledge of 30 percent of the state school aid funds that are apportioned to the School for its current fiscal year. The line of credit bears interest at a fixed rate of 4.87%. The outstanding balance is $90,000 at June 30, 2005.

7. OPERATING LEASES

The School leases two copiers through a lease agreement, which requires minimum monthly payments of $993 through July 2008.

The School also leases a postage meter which requires quarterly payments of $231, through July 2008.

Rental expense under all operating lease agreements was approximately $14,688 for the year ended June 30, 2005.

8. LONG-TERM DEBT

The following is a summary of debt transactions of the School for the year ended June 30, 2005:

	Long-term Debt				
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
$5,770,000 – 2000 Certificates of participation issue consists of $745,000 serial certificates due in installments of $75,000 to $115,000 in the years 2003 through 2010 with interest of 6.10% to 6.75%. Also consisting of $5,025,000 term certificates due in installments of $120,000 to $445,000 in years 2011 through 2030 with interest 7.00% to 7.25%.	$5,615,000	$ -	$ (85,000)	$5,530,000	$ 90,000
Capital leases payable to Blue Bird Leasing for two 30 passenger buses requiring an annual payment of $10,188 including Interest at 3.7% through June 2008.	52,837	-	(7,811)	45,026	8,162
Note payable to BASF Corporation for property, at 0% interest, requiring five equal annual installments of $69,309 beginning on January 1, 2006.	346,546	-	-	346,546	69,309
2003 note payable to Chemical Bank, due July 21, 2008, for the purchase of a six-classroom modular building, requiring quarterly payments of $20,015, including interest at 3.69% through July 2008.	338,087	-	(71,526)	266,561	77,535
2004 note payable to Chemical Bank, due July 21, 2009, for the purchase of an eight-classroom modular building, requiring quarterly payments of $23,672, including interest at 3.59% through July 2009.	-	385,000	(13,153)	371,847	83,341
Total	**$6,352,470**	**$385,000**	**$(177,490)**	**$6,559,980**	**$328,347**

Following is a summary of future principal maturities and interest requirements:

	Installment Purchases		Certificates of Participation	
	Principal	**Interest**	**Principal**	**Interest**
2006	$ 238,347	$23,130	$ 90,000	$ 195,331
2007	265,479	18,375	95,000	192,451
2008	234,488	9,568	100,000	189,364
2009	205,950	3,562	105,000	186,064
2010	85,716	212	115,000	182,546
2011-2015	-	-	700,000	847,825
2016-2020	-	-	985,000	706,600
2021-2025	-	-	1,385,000	507,329
2026-2030	-	-	1,955,000	222,032
Total	**$1,029,980**	**$54,847**	**$5,530,000**	**$3,229,542**

9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for all the above mentioned types of risks of loss including general liability, property damage, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three prior years.

10. CONTINGENCIES

Federal Grant Programs

The School participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School expects such amounts, if any, not to be material.

11. CHARTER AGENCY OVERSIGHT FEES

Pursuant to the charter contract between Grand Valley State University ("Authorizer") and the School, the School pays the Authorizer an administrative oversight fee equal to 3% of the state school aid received by the School.

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Black River Public School

Schedule of Revenue, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Local sources	$ 399,039	$ 455,000	$ 457,688	$ 2,688
Intermediate sources	23,400	33,000	33,420	420
State sources	3,976,278	3,974,500	3,974,951	451
Federal sources	105,755	143,500	143,515	15
Total revenue	4,504,472	4,606,000	4,609,574	3,574
EXPENDITURES				
Instruction:				
Elementary	427,290	510,000	497,429	12,571
Middle School	593,505	564,000	552,016	11,984
High School	804,646	850,000	839,017	10,983
Special Education	254,977	200,000	191,166	8,834
Title I Compensatory education	42,410	37,000	34,519	2,481
Total instruction	2,122,828	2,161,000	2,114,147	46,853
Supporting services:				
Pupil services	159,884	173,000	158,967	14,033
Instructional staff	59,633	64,000	62,492	1,508
Charter agency oversight	118,388	118,000	115,186	2,814
General administration	192,481	186,000	177,938	8,062
School administration	216,159	208,000	195,425	12,575
Support services business	227,038	249,000	243,530	5,470
Operation and maintenance	307,194	380,000	374,224	5,776
Pupil transportation services	21,390	26,000	24,174	1,826
Technology	59,445	50,000	43,905	6,095
Total supporting services	1,361,612	1,454,000	1,395,841	58,159
Capital outlay	-	57,000	52,356	4,644
Debt service:				
Principal	114,059	102,295	92,490	9,805
Interest	12,436	27,893	24,555	3,338
Total debt service	126,495	130,188	117,045	13,143
Total expenditures	3,610,935	3,802,188	3,679,389	122,799
Revenue over (under) expenditures	893,537	803,812	930,185	126,373
OTHER FINANCING (USES)				
Transfers out to:				
Athletics	(70,424)	(60,000)	(50,674)	9,326
Food service	(20,000)	(9,500)	(9,035)	465
Debt service	(420,304)	(420,304)	(402,093)	18,211
Capital projects	(179,690)	(179,690)	(179,690)	-
Total other financing sources (uses)	(690,418)	(669,494)	(641,492)	28,002
Net changes in fund balances	203,119	134,318	288,693	154,375
Fund balances, beginning of year	92,812	92,812	92,812	-
Fund balances, end of year	$ 295,931	$ 227,130	$ 381,505	$ 154,375

Black River Public School
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue			
	Food Service	Athletics	Yearbook	Total
ASSETS				
Cash and cash equivalents	$ 7,106	$ 955	$ 11,152	$ 19,213
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ 7,067	$ 7,067
Fund balances:				
Unreserved, undesignated	7,106	955	4,085	12,146
Total liabilities and fund balances	$ 7,106	$ 955	$ 11,152	$ 19,213

Black River Public School
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue			
	Food Service	Athletics	Yearbook	Total
REVENUE				
Local sources	$ 23,219	$ 5,598	$ 8,199	$ 37,016
State sources	830	-	-	830
Federal sources	25,957	-	-	25,957
Total revenue	50,006	5,598	8,199	63,803
EXPENDITURES				
Current:				
Food service	52,802	-	-	52,802
Athletic	-	55,832	-	55,832
Yearbook	-	-	8,349	8,349
Total expenditures	52,802	55,832	8,349	116,983
Revenue (under) expenditures	(2,796)	(50,234)	(150)	(53,180)
OTHER FINANCING SOURCES				
Transfers in	9,035	50,674	-	59,709
Net changes in fund balances	6,239	440	(150)	6,529
Fund balances, beginning of year	867	515	4,235	5,617
Fund balances, end of year	$ 7,106	$ 955	$ 4,085	$ 12,146

Black River Public School
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Food Service Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Local sources	$ 15,000	$ 22,970	$ 23,219	$ 249
State sources	-	830	830	-
Federal sources	20,000	25,900	25,957	57
Total revenue	35,000	49,700	50,006	306
EXPENDITURES				
Supporting services	59,980	54,000	52,802	1,198
Revenue (under) expenditures	(24,980)	(4,300)	(2,796)	1,504
OTHER FINANCING SOURCES				
Transfers in	15,000	9,500	9,035	(465)
Net changes in fund balances	(9,980)	5,200	6,239	1,039
Fund balances, beginning of year	867	867	867	-
Fund balances (deficit), end of year	$ (9,113)	$ 6,067	$ 7,106	$ 1,039

Black River Public School
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Athletics Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Local sources	$ 300	$ 3,000	$ 5,598	$ 2,598
EXPENDITURES				
Supporting services	70,424	60,000	55,832	4,168
Revenue (under) expenditures	(70,124)	(57,000)	(50,234)	6,766
OTHER FINANCING SOURCES				
Transfers in	70,424	60,000	50,674	(9,326)
Net changes in fund balances	300	3,000	440	(2,560)
Fund balances, beginning of year	515	515	515	-
Fund balances, end of year	$ 815	$ 3,515	$ 955	$ (2,560)

Black River Public School
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Yearbook Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUE				
Local sources	$ 5,000	$ 8,000	$ 8,199	$ 199
EXPENDITURES				
Supporting services	8,000	10,500	8,349	2,151
Net changes in fund balances	(3,000)	(2,500)	(150)	2,350
Fund balances, beginning of year	4,235	4,235	4,235	-
Fund balances, end of year	$ 1,235	$ 1,735	$ 4,085	$ 2,350

Black River Public School
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2005

	Agency Activities Fund			
	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and cash equivalents	$ 7,694	$ 79,175	$ 72,943	$ 13,926
LIABILITIES				
Due to BRPS parent organization	$ 3,181	$ 23,351	$ 19,398	$ 7,134
Faculty/staff appreciation account	1,586	-	242	1,344
Due to student and other groups	2,927	55,824	53,303	5,448
Total liabilities	$ 7,694	$ 79,175	$ 72,943	$ 13,926

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EXHIBIT C

SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

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SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

Definition of Public School Academy (M.C.L. § 380.501(1), 380.502(1))

A public school academy is a state-supported public school that is considered both a body corporate and a governmental agency. According to the statutes, a public school academy must be organized under Michigan's non-profit corporation act, M.C.L. §§ 450.2101 to 450.3192. A public school academy is also considered a school district for purposes of borrowing money and issuing notes and bonds pursuant to M.C.L. § 380.1225 and 380.1351a, respectively, and it is subject to the leadership and general supervision of the state board of public education. The state board of education is responsible for issuing an annual comprehensive report evaluating public school academies to the house and senate committees on education. See M.C.L. § 380.501a.

Sponsors of and Applicants for Public School Academies (M.C.L. § 380.502)

Charter contracts may be issued by any one of the following authorizing bodies: (i) local school districts, (ii) intermediate school districts, (iii) community colleges, and (iv) state public universities. Any person interested in operating a public school academy may apply to an authorizing body.

Currently, there is a cap on the number of charter contracts that can be issued by state public universities. The number of contracts for public school academies issued by all state public universities is 150. The number of contracts issued by any one state university shall not exceed 50% of the maximum total that may be issued by state universities.

Method of Establishment and Oversight of Public School Academies (M.C.L. § 380.502(3-7))

When a person applies for a contract to operate a public school academy, the application must: (1) identify the applicant; (2) list the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (3) include a copy of the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (4) include a copy of the proposed bylaws of the public school academy; (5) document the requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational goals of the public school academy, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained, (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (6) describe staff responsibilities and the governance structure; (7) identify the local and intermediate school districts in which the public school academy will be located; (8) agree that the public school academy will comply with all applicable state and federal laws; (9) for an application to a school district, assure that employees of the public school academy will be covered by collective bargaining agreements that apply to other public employees in schools; and (10) describe and identify the address where the public school academy will be located.

An authorizing body that issues a contract for a public school academy must oversee the public school academy to ensure that the public school academy is in compliance with statutes, rules, and the terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged. An authorizing body may contract with a public school academy for other services in addition to the oversight services.

Legal Status of Public School Academy (M.C.L. § 380.501, 380.503b)

A public school academy is a body corporate, a governmental agency, a public school, and is considered a school district under certain provisions of State law. If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State of Michigan or the authorizing body. The State or an authorizing body is not liable for any debt incurred by a public school academy.

Public School Academy Funding (§ 388.1601 et. seq.; § 141.2101 et. seq.)

A public school academy receives funding through the per pupil base foundation, as calculated in Michigan's State School Aid Act, M.C.L. § 388.1601 et. seq. The School Aid Act currently provides that pupil membership is based upon a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. A public school academy's State School Aid is sent directly to the academy's authorizing body, which takes its 3% fee and then forwards the remainder of the aid payments to the public school academy. Pursuant to the State School Aid Act, a school district receives its annual State School Aid entitlement in eleven equal installments on dates in October through August, subject to certain statutory adjustments. By law, a public school academy's State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the public school academy is located.

A public school academy may not charge tuition and may not levy taxes. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. A public school academy may borrow money and may issue bonds in accordance with the Revised School Code, M.C.L. § 380.1 et. seq., and the Revised Municipal Finance Act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Authorizing Body's Duties With Respect to State School Aid Payments (M.C.L. § 380.507)

The authorizing body for a public school academy is the fiscal agent for the public school academy; therefore, it receives state school aid payments on behalf of the public school academy and then forwards such aid payments to the public school academy (less a fee that it may charge which does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged).

Withholding payment; plan for financing outstanding obligation defaulted upon by a public school academy; use of amounts withheld; agreement assigning or pledging payment (M.C.L. § 388.1617a)

The Michigan Department of Treasury may withhold all or part of any payment of State School aid that a public school academy is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101, *et al*, or other statutory authority, for financing an outstanding obligation upon which the public school academy defaulted. Amounts withheld shall be used to pay, on behalf of the public school academy, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the public school academy defaulted.

Under an agreement entered into by a public school academy assigning all or a portion of the payment of State School aid that it is eligible to receive to a trustee of a pooled arrangement, such as the Issuer, or pledging the amount for payment of an obligation it incurred with a trustee of a pooled arrangement, the state treasurer shall transmit to the trustee of a pooled arrangement the amount of the payment of the State School aid that is assigned or pledged under the agreement. This section does not require the State of Michigan to make an appropriation to any public school academy and shall not be construed as creating an indebtedness of the State of Michigan, and any agreement made pursuant to this section shall contain a statement to that effect.

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a public school academy receiving State School aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. Where a public school academy has an existing deficit or incurs a deficit fund balance, such public school academy shall not receive payments under the School Aid Act until it submits to the Michigan Department of Education (the "Department") a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a public school academy with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid payments that have been withheld from a public school academy due to a deficit will be released to the public school academy after the Department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.

Revocation of Charter (M.C.L. § 380.507)

A charter contract may be revoked by the authorizing body for the following reasons: (1) failure of the public school academy to abide by and meet the educational goals set forth in the contract, (2) failure of the public school academy to comply with all applicable law, (3) failure of the public school academy to meet generally accepted public sector accounting principles, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency.

Issuance of Contracts (M.C.L. § 380.503)

Public school academy contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed public school academy, (2) the population to be served by the public school academy, and (3) the educational goals to be achieved by the public school academy. With respect to applications to a local school district, if the board denies an application for a public school academy contract, the person who applied for the contract may petition the board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 15% of the school electors in that school district.

Within 10 days of issuing a contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract and application. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

A public school academy contract must include the following: (1) the educational goals of the public school academy and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program ("MEAP") test or an assessment instrument developed under Michigan's Revised School Code); (2) the method to be used to monitor the public school academy's compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) for public school academies authorized by a school district, an agreement that the employees of the public school academy will be covered by any collective bargaining agreements that apply to the employees of the school district; (6) procedures and grounds for revoking the contract; (7) a description and address of the physical plant in which the public school academy will be located; and (8) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

Among the laws with which public school academies must comply are Michigan's Revised School Code, Michigan's State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act, and other state and federal laws applicable to public school academies.

Public school academies and their board members, officers and staff have governmental immunity. Public school academies may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Public school academies are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Public School Academies (M.C.L. § 380.504)

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, or any other basis prohibited by law. However, a public school academy may predetermine the ages, grades, and number of students it will serve. If the number of applications to enroll in the public school academy exceeds the school's enrollment capacity, the public school academy shall use a random selection process for selecting pupils. Public school academies may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program.

Additional Powers of Public School Academies (M.C.L. § 380.504a, 380.506)

In addition to other powers, a public school academy may take action to carry out its educational mission. For that purpose, a public school academy has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) incur temporary indebtedness as authorized by state statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the public school academy in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant state statutes.

Bonds issued by a public school academy are full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued by a public school academy are subject to the revised municipal finance act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Public school academies, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.505)

Teachers in public school academies are subject to the same certification requirements as traditional public schools, with two exceptions. First, public school academies authorized by a state university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, public school academies authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years experience in teaching the subject matter he or she is teaching at the public school academy. Public school academies may develop and implement new teaching techniques or make significant revisions to known techniques. Public school academies must report these practices to the authorizing body and the state board.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

EXHIBIT D

COPIES OF THE TRUST INDENTURE AND THE FINANCING AGREEMENT

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Exhibit D-1

TRUST INDENTURE

BETWEEN

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

AND

WELLS FARGO BANK, N.A.

as Trustee

RELATING TO:

$8,885,000
MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE AND REFUNDING BONDS
(BLACK RIVER PUBLIC SCHOOL PROJECT), SERIES 2006

Dated as of July 1, 2006

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REQUESTS FOR INFORMATION

Exhibit D-3

TRUST INDENTURE

THIS TRUST INDENTURE ("Indenture") dated as of July 1, 2006, between the **MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY**, a public body corporate (the "Issuer" or the "Authority"), and **WELLS FARGO BANK, N.A.,** a national banking association, as trustee, and its successor in trust and its assignees (the "Trustee").

WHEREAS, the Issuer has been created pursuant to the Enabling Legislation for, among other purposes, the purpose of lending money to Public School Academies; and

WHEREAS, the Issuer is authorized to carry out the public purposes described in and contemplated by the Enabling Legislation by purchasing municipal obligations from Public School Academies and obtaining funds to make loans by issuing revenue bonds; and

WHEREAS, the Issuer has determined that to purchase the Municipal Obligation will further the purposes of the Enabling Legislation, will benefit the people of the State, will assist the Academy in fulfilling its needs, will provide for the orderly marketing of municipal obligations and will reduce the costs of borrowing to the Academy; and

WHEREAS, the Revised School Code, PA 451 of 1976, as amended (the "School Code") authorizes public school academies to acquire real and personal property or interests in real or personal property, and finance their activities by purchase, gift, grant, devise, bequest, lease, sublease, installment purchase agreement, land contract option or condemnation and subject to mortgages, security interests or other liens; and

WHEREAS, the School Code also authorizes public school academies to borrow money and issue bonds to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping, or reequipping, except for equipping or reequipping for technology, school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurnishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology or accomplishing a combination of these purposes; and

WHEREAS, Black River Public School (the "Academy") has requested that the Authority assist in financing a Project (as defined in the Financing Agreement, including the Academy Refunding), and to pay certain expenses incidental to the issuance of the Bonds; and

WHEREAS, the Authority wishes to provide for the issuance of the Bonds for the purpose of providing funds to assist in the financing of the Project, including the Academy Refunding; and

WHEREAS, the Issuer determines and declares that payment of the Costs of the Project, including the Academy Refunding, as contemplated by the Financing Agreement and this

Indenture is necessary in order to realize the objectives and purposes of the Enabling Legislation and fulfills a valid public purpose; and

WHEREAS, as security for the payment of the Bonds issued pursuant to this Indenture, the Issuer has agreed to assign and pledge to the Trustee, the Security (as hereinafter defined); and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued and delivered as provided in this Indenture, the legal, valid, binding and enforceable limited obligations of the Issuer, according to the import thereof, and to create a valid assignment and pledge of the Security to the payment of the Bonds have been done and performed, and the execution and delivery of this Indenture and the execution, issuance and delivery of the Bonds, subject to the terms hereof, have in all respects been authorized;

NOW, THEREFORE, in consideration of the premises and of the covenants and undertakings herein expressed, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All terms used herein which are not defined herein but are defined in the Financing Agreement identified below shall have the meanings therein set forth, which definitions are by this reference incorporated herein and made a part hereof. In addition to terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

"Academy" means Black River Public School, a public school academy, organized and existing under the laws of the State of Michigan, and their successors and assigns.

"Academy Fiscal Year" means the period commencing on the first day of July and ending on the last day of June of each year or such other twelve month period as may be designated by the Academy as the fiscal year of the Academy.

"Academy Refunding" means the Academy's refunding of the Prior Obligations pursuant to the Escrow Agreement.

"Academy Repayments" means all amounts required to be paid by the Academy to the Issuer (and the Trustee as the assignee of the Issuer) pursuant to the Financing Agreement.

"Additional Bonds" means the additional bonds which are authorized to be issued in one or more series from time to time under Section 2.16 hereof.

"Authorized Denominations" means denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

"Beneficial Owner" means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

"Bond" or **"Bonds"** means the Series 2006 Bonds and any Additional Bonds authorized to be issued hereunder.

"Bond Counsel" means a firm of nationally recognized attorneys at law acceptable to the Issuer and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

"Bond Fund" means the fund created by Section 4.01 of this Indenture.

"Bond Payment Date" means any of the dates specified in the Indenture for payment of principal of and interest on the Bonds, i.e., the first day of March and September of each year with respect to interest, commencing March 1, 2007 and the first day of September with respect to principal, commencing September 1, 2007, all in the years shown in Exhibit A-l until the respective Bonds are paid in accordance with their terms.

"Bond Purchase Agreement" means the Bond Purchase Agreement relating to the initial purchase of the Bonds among the Underwriter, the Issuer and the Academy.

"Bond Register" means the books of the Issuer kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

"Bond Resolution" means the resolution adopted by the Issuer on June 14, 2006, as amended, authorizing and approving the issuance and sale of the Bonds pursuant to this Indenture.

"Bondholder" or **"holder"** means the Registered Owner of any Bond.

"Business Day" means any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which banking institutions in the city in which the designated corporate trust office of the Trustee (or its bond registrar, paying agent or tender agent offices) is located, or (iv) a day on which the New York Stock Exchange is closed or the payment system of the Federal Reserve is not operational.

"Code" means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed) promulgated thereunder and under the Internal Revenue Code of 1954, as amended.

"Costs of the Project" shall mean "Project Costs" as defined in the Financing Agreement.

"Counsel" means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, the use of which will not impair the federal tax exemption of interest on the Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Determination of Taxability" means a determination that the interest income on any of the Bonds is included in gross income for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Academy or the Issuer is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the Academy or the Issuer, or upon any review or audit of the Academy or the Issuer, or upon any other grounds whatsoever, the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner thereof;

(b) the day on which the Academy receives notice from the Trustee in writing that the Trustee has been advised in writing by any current or former holder or Beneficial Owner of a Bond that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such current or former holder or Beneficial Owner which asserts in effect that the interest on the Bonds received by such current or former holder or Beneficial Owner is includable for federal income tax purposes in the gross income of such current or former holder or Beneficial Owner;

(c) the day on which the Academy or the Issuer is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond;

(d) the day on which the Academy or the Issuer is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Academy has been given written notice and an opportunity to participate and defend that the interest on the Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond; or

(e) the date specified in a written opinion to the Academy from Bond Counsel as the day on which interest on the Bonds first became or will become includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Bond;

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provided, however, no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this paragraph unless the Academy has been afforded the opportunity, at its expense, to contest any such conclusion and/or assessment after furnishing the Trustee and the Issuer, within 30 days after the occurrence of an event described in subparagraph (a), (b) or (c) of this paragraph, with an opinion of Bond Counsel to the effect that there is a reasonable likelihood that the Academy will prevail in such contest, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined. The Academy shall promptly notify the Trustee and the Issuer of any event described in subparagraph (a), (c), (d) or (e) of this paragraph and shall further promptly notify the Trustee and the Issuer of any final determination if the Academy has contested under subparagraph (a), (b) or (c) of this paragraph. The Academy shall be deemed to have been afforded the opportunity to contest the occurrence of a Determination of Taxability if it shall have been permitted to commence and maintain any action in the name of any current or former holder or Beneficial Owner of a Bond to judgment and through any appeals therefrom or other proceedings related thereto.

"Eligible Investments" shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(a) Governmental Obligations;

(b) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(c) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor's Ratings Services;

(d) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(e) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under Section 8.04 of this Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the

custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(f) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(g) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(h) Commercial paper of a United States corporation or finance company, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Standard & Poor's Ratings Services;

(i) to the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(j) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64, so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Escrow Agreement" means the Escrow Deposit Agreement dated as of July 1, 2006.

"Event of Default" means any of the events specified in Section 6.01 hereof.

"Financing Agreement" means the Financing Agreement dated as of July 1, 2006, between the Issuer and the Academy, as the same may be amended or supplemented from time to time as permitted thereby.

"Governmental Obligations" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations and timely payment of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian, and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

"Government Obligations Fund" means a fund which is composed solely of Government Obligations and repurchase agreements secured by Government Obligations, provided that if the Bonds are then rated, such fund must be rated by each Rating Agency then rating the Bonds at least as high as the then current rating on the Bonds at the time of such investment.

"Indenture" means this Trust Indenture, as amended or supplemented from time to time as permitted hereby.

"Interest Payment Date" means each March 1, and September 1 commencing March 1, 2007.

"Investment Agreement" means any agreement for the investment of funds held under the terms of this Indenture which is authorized by law, which has been approved by an authorized officer of the Authority.

"Investment Income" means the earnings and profits derived from the investment of moneys in the Project Fund, Reserve Fund and Bond Fund pursuant to ARTICLE IV.

"Issue Date" means July 25, 2006, the date the Bonds are issued.

"Issuer" means the Michigan Public Educational Facilities Authority, created pursuant to the Enabling Legislation, or any successor to its rights and obligations under the Financing Agreement and this Indenture.

"Letter of Representations" means the blanket agreements of the Issuer and the Trustee to comply with the operational arrangements of The Depository Trust Company and any similar agreements with respect to a successor Depository.

"Municipal Obligation" means the School Building and Site and Refunding Bond, Series 2006, of the Academy dated July 25, 2006.

"Outstanding", when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee hereunder, except:

(a) Bonds canceled or delivered for cancellation at or prior to such date;

(b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to ARTICLE II hereof; and

(d) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the holders of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the Issuer or the Academy, except that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being Outstanding only Bonds of which the Trustee has actual notice to be so held.

"Participant" or **"Participants"** means securities brokers and dealers, banks, trust companies and clearing corporations which participate in the Depository with respect to the Bonds.

"Person" means any natural person, firm, partnership, association, limited liability company, corporation, or public body.

"Prior Obligations" means the Full Term Certificates of Participation, Series 2000, Evidencing Proportionate Interests of the Owners thereof in a Financing Agreement with Black River Public School.

"Project" means the Academy Refunding and the facilities to be financed with the proceeds of the Loan, all as more fully described in the Financing Agreement.

"Project Fund" means the fund created by Section 4.03 of this Indenture.

"Rating Agency" means Moody's Investors Service and/or Standard & Poor's Ratings Service or their successors and assigns, according to which of such rating agencies then rates the Bonds; and provided that if neither of such rating agencies then rates the Bonds, the term "Rating Agency" shall be deemed to refer to any nationally recognized securities rating agency.

"Record Date" means with respect to each Interest Payment Date, the Trustee's close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, regardless whether such day is a Business Day.

"Redemption Account" means the account by that name established within the Bond Fund pursuant to Section 4.01 of the Indenture.

"Registered Owner" means the person or persons in whose name or names a Bond is registered on the registration books of the Issuer maintained by the Trustee for that purpose in accordance with the terms of this Indenture.

"Reserve Fund" means the fund established pursuant to Section 4.02 of this Indenture and which shall be entitled "Michigan Public Educational Facilities Authority Debt Service Reserve Fund 2006 Black River Public School Project".

"Reserve Fund Requirement" means an amount equal to the least of (i) the maximum annual principal and interest requirements on the Series 2006 Bonds and any Additional Bonds, (ii) 125% of the average annual principal and interest requirements on the Series 2006 Bonds and any Additional Bonds, or (iii) 10% of the original principal amount of the Series 2006 Bonds and any Additional Bonds (net of original issue discount), determined at the time of initial issuance of the Series 2006 Bonds and any Additional Bonds and on the first day of each Academy Fiscal Year thereafter while any Series 2006 Bonds or Additional Bonds are outstanding.. The Reserve Fund Requirement for any Reserve Account may be satisfied by delivery to the Trustee of a Reserve Fund Security Instrument.

"Reserve Fund Security Instrument" means a letter a credit, line of credit, policy of insurance, surety bond or similar instrument which will provide for the payment of all or part of the amounts required to be disbursed from a Reserve Fund; provided that the Reserve Fund Security Instrument shall not result in a reduction of any rating on the Bonds.

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"Revenue Account" means the account by that name established within the Bond Fund pursuant to Section 4.01 of the Indenture.

"Security" means the revenues (including Academy Repayments), funds, rights and interests specified in Section 3.01 of this Indenture.

"Series 2006 Bonds" means the $8,885,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006.

"State" means the State of Michigan.

"Trustee" means Wells Fargo Bank, N.A., a national banking association, acting in its capacity as the trustee under this Indenture, and any permitted successor trustee under ARTICLE VII of this Indenture.

"U.C.C." means the Uniform Commercial Code of the State as now or hereafter amended, whether or not such code is applicable to the parties or the transaction.

"Unassigned Rights" means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Sections 501, 603 and 1003 of the Agreement with respect to the Authority Fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

"Underwriter" means Fifth Third Securities, Inc.

ARTICLE II

THE BONDS

Section 2.01. Authorized Amount of Bonds.

(a) No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Pursuant to the Bond Resolution, the total principal amount of Series 2006 Bonds that may be issued and outstanding hereunder is expressly limited to $11,000,000, subject to the provisions of Section 2.16 hereof. The Bonds are issued for the purpose of enabling the Authority to purchase the Academy's Municipal Obligation. The Municipal Obligation shall be in Fully Marketable Form and otherwise satisfactory to the Authority. The proceeds of the Authority's purchase of the Municipal Obligation shall be used to make a deposit (i) to the Project Fund for the purpose of paying the Costs of the Project, (including costs of issuance), including the Academy Refunding, (ii) to the Reserve Fund in the amount of the Reserve Fund Requirement, and (iii) to the Bond Fund to pay any accrued interest on the Bonds.

Section 2.02. Issuance of Bonds. The Series 2006 Bonds (i) shall be designated the "Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding

Bonds (Black River Public School Project), Series 2006", (ii) shall be dated the Issue Date, (iii) shall bear interest from the Issue Date at the rates provided in Exhibit B hereto until the Authority's obligation with respect to payment of the principal is discharged, computed on a 360-day year of twelve 30-day months), and (iv) shall mature at the times and in the principal amounts provided in Exhibit B hereto.

The Series 2006 Bonds shall be issued as registered bonds without coupons and shall be issued in Authorized Denominations. The Series 2006 Bonds shall be numbered consecutively from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee.

The principal of and the redemption premium, if any, and the interest on the Bonds shall be payable in lawful money of the United States of America. The principal of and redemption premium, if any, on the Series 2006 Bonds shall be payable at the principal corporate trust or other designated office of the Trustee. The interest on the Series 2006 Bonds shall be paid by check or draft of the Trustee mailed to the Persons in whose names the Series 2006 Bonds are registered on the Bond Register at the close of business on the Record Date next preceding each Interest Payment Date; provided, however, any registered holder of Series 2006 Bonds in the aggregate principal amount of $1,000,000 or more as of the close of business on the Record Date preceding any Interest Payment Date may, by prior written instructions filed with the Trustee on or before the second Business Day preceding such Record Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to any bank located in the continental United States.

If any payment of interest or principal or redemption premium on the Series 2006 Bonds is due on a date not a Business Day, payment shall be made on the next succeeding Business Day with the same force and effect as if made on the date which is fixed for such payment, and no interest shall accrue on such amount for the period after such due date.

The provisions of the Series 2006 Bonds shall control to the extent of any conflict with the provisions hereof.

Section 2.03. Execution; Limited Obligation. The Series 2006 Bonds shall be executed on behalf of the Issuer with the manual or facsimile signature of one of its members or one of its authorized officers. All authorized facsimile signatures shall have the same force and effect as if manually signed. In case any official of the Issuer whose signature or facsimile signature shall appear on the Series 2006 Bonds shall cease to be such official before the delivery of such Series 2006 Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery. The Series 2006 Bonds may be signed on behalf of the Issuer by such persons who, at the time of the execution of such Series 2006 Bonds, are duly authorized or hold the appropriate office of the Issuer, although on the date of the Series 2006 Bonds such persons were not so authorized or did not hold such offices.

(a) The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Issuer secured by the Financing Agreement and, if

applicable, the Reserve Fund, are and shall always be payable solely from the revenues and income derived from the Financing Agreement (except to the extent paid out of moneys attributable to proceeds of the Bonds or the income from the temporary investment thereof), are and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Financing Agreement and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in this Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or an obligation of the Issuer or the State of Michigan, within the purview of any constitutional limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived from the Financing Agreement. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan to pay any principal installment of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

Section 2.04. Certificate of Authentication. No Series 2006 Bonds shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form as set forth in the forms of Series 2006 Bond attached hereto as Exhibit A, executed by an authorized officer of the Trustee; and such certificate on any Bond issued by the Issuer shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

Section 2.05. Form of Bonds. The Series 2006 Bonds shall be substantially in the form attached as Exhibit A with such changes are may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Series 2006 Bonds may be listed or any usage or requirement of law or practice with respect thereto.

Section 2.06. Delivery of Series 2006 Bonds. Upon the execution and delivery hereof, the Issuer shall execute the Series 2006 Bonds and deliver them to the Trustee, and the Trustee shall authenticate the Series 2006 Bonds and deliver them to such purchaser or purchasers as shall be directed by the Issuer as hereinafter in this Section provided.

Prior to or simultaneously with the authentication and delivery of the Series 2006 Bonds by the Trustee, there shall be filed with the Trustee:

(a) A copy, certified by an authorized officer of the Issuer, of all resolutions adopted and proceedings had by the Issuer authorizing the issuance of the Series 2006 Bonds, including the Bond Resolution;

(b) An original executed counterpart of this Indenture, the Financing Agreement, the Bond Purchase Agreement and the Escrow Agreement;

(c) An original executed counterpart of the nonarbitrage and tax compliance certificate of the Academy relating to the Series 2006 Bonds dated the Issue Date, in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan;

(d) Closing certificates of the Academy and the Issuer in form and substance satisfactory to Bond Counsel and the Attorney General of the State of Michigan;

(e) A copy of completed IRS Form 8038-G to be filed by or on behalf of the Issuer pursuant to Section 149(e) of the Code;

(f) An original executed counterpart of the nonarbitrage certificate of the Issuer establishing its reasonable expectations to the effect that the Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Code;

(g) An opinion of Bond Counsel addressed to the Issuer and the Trustee and an opinion of the Attorney General of the State of Michigan addressed to the Issuer to the effect that the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes (other than any interest which may be includable as a preference item or adjustment item in computing any minimum tax) and that this Indenture and the Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding agreements of the Issuer;

(h) An opinion of Counsel for the Academy addressed to the Issuer and the Trustee to the effect that the Financing Agreement and the Bond Purchase Agreement have been duly authorized, executed and delivered by the Academy and are legal, valid and binding agreements of the Academy, together with such additional matters as may be requested by Bond Counsel or the Attorney General of the State of Michigan;

(i) A request and authorization to the Trustee on behalf of the Issuer and signed by an authorized officer of the Issuer directing the Trustee to authenticate and deliver the Bonds in such specified denominations as permitted herein to the Underwriter upon payment to the Trustee, but for the account of the Issuer, of the aggregate principal amount of the Bonds, plus accrued interest, if any;

(j) Evidence satisfactory to the Trustee that the Issuer and the Trustee have delivered executed Letters of Representations to the Depository; and

(k) A copy of the fully executed verification report of Robert Thomas CPA, LLC, relating to the verification of sufficiency of funds under the Escrow Agreement; and

(l) Such other documents, opinions of Counsel and certificates as the Trustee or Bond Counsel may require or as may be required by the Bond Purchase Agreement.

Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Bonds as provided above.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence satisfactory to each of them of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Trustee and the Issuer and compliance with such other reasonable requirements as the Issuer and Trustee may prescribe. The replacement of any Bond under this Section shall be in accordance with Michigan Compiled Laws Annotated Section 129.131 et. seq. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the holder of such Bond with their reasonable fees and expenses in this connection.

Section 2.08. Exchangeability and Transfer of Bonds; Persons Treated as Owners.

The Issuer shall cause the Bond Register to be kept by the Trustee, which is hereby constituted and appointed the bond registrar for the Bonds.

Any holder of a Bond, in person or by his duly authorized attorney, may transfer title to his Bond on the Bond Register, upon surrender thereof at the designated corporate trust office of the Trustee, together with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the holder or his duly authorized attorney. Upon surrender for registration of transfer of any Bond, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same aggregate principal amount and tenor as the Bond surrendered and of any Authorized Denomination.

Bonds may be exchanged upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Bondholder or his attorney duly authorized in writing, for an equal aggregate principal amount of Bonds of the same aggregate principal amount and tenor as the Bonds being exchanged and of any Authorized Denomination. The Issuer shall execute and the Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

Such registrations of transfers or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration, transfer or exchange shall be paid by the Academy.

The Trustee shall not register any transfer of any Bond (or portion thereof) after notice calling such Bond (or portion thereof) for redemption or partial redemption has been given unless the holder delivers to the Trustee a written statement acknowledging that such Bond has been called for redemption and the date of such redemption.

The Person in whose name any Bond is registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, except that payment of or on account of either principal, premium, if any, or interest shall be made only to or upon the order of the holder of record as of the Record Date or its duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

So long as the Bonds are held in book-entry form, the Issuer shall execute and the Trustee shall authenticate a Bond to be held by the Depository, which (i) shall be denominated in an amount equal to the aggregate principal amount of Bonds to be held by the Depository (provided that, unless such Bond is being issued on the Issue Date, the Trustee has received a like aggregate principal amount of Bonds for transfer in accordance with this Section 2.08), (ii) shall be registered in the name of the Depository or its nominee in accordance with this Section 2.08, (iii) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions, and (iv) shall bear a legend substantially to the effect that unless the Bond is presented by an authorized representative of the Depository to the Issuer or its agent for registration of transfer, exchange or payment, any transfer, exchange, pledge or other use for value or otherwise is wrongful.

All Bonds issued upon any transfer or exchange of Bonds shall be valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

In executing any Bond upon any exchange or transfer provided for in this Section, the Issuer may rely conclusively on a representation of the Trustee that such execution is required.

Section 2.09. Cancellation. Matured Bonds and Bonds redeemed prior to maturity (as provided in Section 2.11) delivered to the Trustee shall be canceled. The Trustee shall cremate or other destroy canceled Bonds and shall not reissue such Bonds and shall deliver a certificate or other destruction to the Authority and the Academy. If the Trustee for its own account or the Academy shall acquire any of the Bonds, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are delivered to the Trustee for cancellation.

Section 2.10. Ratably Secured. All Bonds issued hereunder are and are to be, to the extent provided in this Indenture, equally and ratably secured by this Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity of the Bonds so that, subject as aforesaid, all Bonds at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture and shall all be equally and ratably secured hereby with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof, whether the same, or any of them, shall actually be disposed of at such date, or some future date, except with respect to the

Reserve Fund**.** The Reserve Fund secures the Series 2006 Bonds and any Additional Bonds issued hereunder.

Section 2.11. Redemption of Bonds.

(a) **Optional Redemption.** The Series 2006 Bonds are subject to optional redemption prior to maturity at the option of the Authority upon the direction of the Academy, all as provided in the form of Series 2006 Bonds set forth in Exhibit A upon notice as provided in the form of Series 2006 Bonds.

(b) **Mandatory and Extraordinary Redemption.** The Series 2006 Bonds which are term bonds shall be subject to mandatory redemption as provided in the form of Series 2006 Bonds, and shall be redeemed prior to maturity in accordance with the redemption requirements set forth in Exhibit A attached hereto.

(c) **Special Sinking Fund Redemption.** The Series 2006 Bonds are subject to special sinking fund redemption prior to maturity, all as provided in the form of Series 2006 Bonds set forth in Exhibit A upon notice as provided in the form of Series 2006 Bonds.

Section 2.12. Partial Redemption of Bonds. If less than all the Outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Bonds selected for redemption shall be in Authorized Denominations and no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Bond is called for redemption, the Issuer shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such holder, Bonds in any of the Authorized Denominations.

Section 2.13. Notice of Redemption. Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond, or portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. No defect in or delay or failure in giving any recommended notice described in the preceding sentence shall in any manner affect the notice of redemption described in the first sentence of this Section 2.13. Any notice mailed as provided in this Section 2.13 shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice.

All notices of redemption shall state:

(a) the redemption date,

(b) the redemption price,

(c) the identification, including complete designation and issue date of the series of Bonds of which such Bonds are a part and the CUSIP number (and in the case of partial redemption, the respective principal amounts), interest rate and maturity date of the Bonds to be redeemed,

(d) that on the redemption date the redemption price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date; and

(e) The name and address of the Trustee for such Bonds, including the name and telephone number of a contact person and the place where such Bonds are to be surrendered for payment of the redemption price.

All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided moneys for their redemption have been duly deposited with the Trustee. Thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond in an Authorized Denomination for any portion not redeemed.

Section 2.14. Book-Entry Only Registration of the Bonds.

(a) Except as provided in subparagraph (c) of this Section 2.14, the Registered Owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of the Depository. Payment of interest on any Bond, as applicable, shall be made in accordance herewith for the account of Cede on each Interest Payment Date at the address indicated for Cede in the Bond Register.

(b) The Bonds shall be initially issued in the form of a single fully registered Bond in the aggregate principal amount of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered on the Bond Register in the name of Cede, as nominee of the Depository. With respect to the Bonds so registered in the name of Cede, the Issuer, the Academy and the Trustee, shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, Cede or any Participant or any nominee of a Beneficial Owner with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, Beneficial Owner or other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant, Beneficial Owner or other person, other than Cede, as nominee of the Depository, of any amount with respect to the principal or redemption price of, or interest on, the Bonds. The Issuer, the Academy and the Trustee may treat and deem Cede, as nominee of the Depository, as the absolute owner of each Bond for all purposes whatsoever, including (but not limited to) (i)

payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of Cede, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to such principal redemption price and interest, to the extent of the sum or sums so paid. So long as the Bonds are book-entry-only, no person other than the Depository shall receive a Bond evidencing the obligation of the Issuer to make payments of principal of and interest on, the Bonds pursuant to the Indenture. Upon delivery by the Depository to the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word "Cede" herein shall refer to such new nominee of the Depository; provided that, notwithstanding any provision of this Indenture to the contrary, until the termination of the book-entry-only system, the Bonds may be transferred in whole, but not in part, only to a nominee of the Depository, or by a nominee of the Depository to the Depository or any nominee thereof.

(c) (1) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(2) The Issuer, at the sole discretion and direction of the Academy and without the consent of any other person, may terminate the services of the Depository with respect to the Bonds if the Academy determines that the continuation of the system of book-entry-only transfer through the Depository is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Issuer or the Academy.

(3) Upon the termination of the services of the Depository with respect to the Bonds pursuant to subsection (c)(1) or (2) hereof, the Bonds shall no longer be restricted to being registered on the Bond Register in the name of Cede as nominee of the Depository. In such event, the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates of like principal amount, in Authorized Denominations to the Participants or the identifiable Beneficial Owners (as identified by the Depository or the Participants) in replacement of such Beneficial Owners' beneficial interests in the Bonds. Notwithstanding the preceding sentence, if the Academy designates a successor Depository, the Issuer shall issue and the Trustee shall transfer and exchange a Bond certificate, in such name as is directed by the successor Depository, in the amount of Bonds then Outstanding and the Trustee shall take such other action as is necessary so that the beneficial ownership interests of the Beneficial Owners are properly reflected on the records of the successor Depository and its Participants. In such event, references herein to "Cede" shall be deemed to refer to the successor Depository, or its nominee, as the context requires.

(d) The Issuer and the Trustee may conclusively rely on (i) a certificate of the Depository as to the identity of the Participants in the book-entry only system, and (ii) a certificate of such Participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the Beneficial Owners.

(e) Whenever, during the term of the Bonds, Beneficial Ownership thereof is determined by a book entry at the Depository, the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect.

(f) Notwithstanding anything in this Indenture to the contrary, the Issuer and the Trustee hereby agree as follows with respect to the Bonds, if and to the extent any Bond is registered in the name of Cede as nominee of the Depository: (i) the Trustee shall give the Depository all special notices required by the Letter of Representations at the times, in the forms and by the means required by the Letter of Representations; (ii) the Trustee shall make payments to Cede at the times and by the means specified in the Letter of Representations; (iii) Cede shall not be required to surrender Bonds which have been partially paid or prepaid to the extent permitted by the Letter of Representations; and (iv) the Trustee shall set a special record date (and shall notify the registered owners of the Bonds thereof in writing) prior to soliciting any Bondholder consent or vote, such notice to be given not less than 15 calendar days prior to such record date (any Bond transferred by a registered owner subsequent to the establishment of the special record date and prior to obtaining such consent or vote shall have attached to it a copy of the notice to Bondholders by the Trustee).

(g) NEITHER THE ISSUER, THE ACADEMY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THIS INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE BONDS.

Section 2.15. CUSIP Numbers. All payments of principal, premium and interest, whether by check or draft or wire transfer, shall be accompanied by the appropriate CUSIP number identification with appropriate dollar amounts for each CUSIP number.

Section 2.16. Additional Bonds. The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2006 Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the Academy provides a certificate to the Trustee confirming that the aggregate annual debt service on the Bonds, and any Additional Bonds proposed to be issued, does not exceed in any fiscal year of the Academy, 20% of the amount of the State School Aid projected to be payable to the Academy by the State in such fiscal year. *For purposes of computing future projections of State School Aid, such certificate shall use the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year.*

ARTICLE III

SECURITY; COVENANTS AND AGREEMENTS OF ISSUER

Section 3.01. Security. The Bonds and the interest and any redemption premium thereon shall be a limited obligation of the Issuer as provided in Section 2.03 hereof, and shall be secured by and payable only from the following:

(a) all Academy Repayments received by the Issuer under the Financing Agreement, which Academy Repayments are to be paid directly to the Trustee and deposited in the Bond Fund;

(b) all moneys and securities in the Bond Fund, Reserve Fund and the Project Fund, including the proceeds of the Bonds pending disbursement thereof;

(c) all of the Issuer's rights and interest in the Financing Agreement, except the Unassigned Rights;

(d) all of the proceeds of the foregoing, including without limitation, investments thereof and Investment Income; and

(e) the rights of the Trustee in and under the Future Advance Mortgage, and the Environmental Indemnification Agreement of the Academy, and the Collateral Assignment of Construction Documents each dated as of July 1, 2006 (collectively, the "Mortgage Documents") with respect to the Project property.

The foregoing are collectively the "Security." In consideration of the purchase of the Series 2006 Bonds and to secure payment of the principal of, redemption premium, if any, and interest on the Series 2006 Bonds and any other cost or pecuniary liability of the Issuer relating to the Series 2006 Bonds or any proceeding, document or certification incidental to the issuance of the Series 2006 Bonds, and to secure performance and observance of all covenants, terms and conditions upon which the Series 2006 Bonds are to be issued, including without limitation this Indenture, the Issuer, without warranty, pursuant to law hereby conveys, assigns and pledges all of its right, title and interest in, and grants a security interest in, the Security to the Trustee, and its successors and assigns, in trust for the benefit of the Bondholders.

Section 3.02. Payment of Bonds and Performance of Covenants. The Issuer shall promptly pay, but only out of the Security, the principal of, redemption premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Issuer shall promptly perform and observe all covenants, undertakings and obligations set forth herein, in the Financing Agreement or the Bonds on its part to be performed or observed. The Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce against the Academy or any Person any rights of the Issuer under or arising from the Bonds or the Financing Agreement whether or not the Issuer is in default hereunder or under the Financing Agreement, but the Trustee shall not be deemed to have hereby assumed the obligations of the Issuer under the Financing Agreement, but rather shall have no obligations under the Financing Agreement except as specifically provided therein. The Issuer shall fully cooperate with the Trustee in the enforcement by the Trustee of any such rights. At the request of the Trustee, the Issuer, upon being indemnified to its satisfaction, shall take such actions as the Trustee shall reasonably request to enforce the rights of the Issuer or the Trustee under or arising from the Bonds or the Financing Agreement.

Section 3.03. Authority. The Issuer represents and warrants that (i) it is duly authorized under the Constitution and laws of the State to issue the Bonds, and to execute, deliver and perform the terms of this Indenture; (ii) all action on its part for the issuance of the Bonds and this Indenture have been duly taken; (iii) the Bonds upon issuance and authentication and this Indenture upon delivery, shall be valid and enforceable against the Issuer in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights and by general principles of equity; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (v) it has not received any payments under the Financing Agreement and the entire principal balance remains outstanding; (vi) it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement, and (vii) the execution, delivery and performance of this Indenture are not in contravention of law or any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound.

Section 3.04. No Litigation. The Issuer represents and warrants that (i) no litigation or administrative action of any nature has been served upon the Issuer for the purpose of restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery of this Indenture or the Financing Agreement or in any manner questioning the proceedings or authority under which they have occurred, or affecting their validity or its existence or authority of its present officers; (ii) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded; (iii) no petition seeking to initiate any resolution or other measure affecting the same or the proceedings therefore has been filed and

(iv) to the best of the knowledge of the officers of the Issuer executing this Indenture, none of the foregoing actions is threatened.

Section 3.05. Further Assurances. The Issuer covenants that it will cooperate to the extent necessary with the Academy and the Trustee in defenses of the Security against the claims and demands of all Persons, and will do, execute, acknowledge and deliver or cause to be done, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging of the Security. The Issuer shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Financing Agreement without the prior written consent of the Trustee, which consent shall be governed by ARTICLE VII of this Indenture.

Section 3.06. No Other Encumbrances. The Issuer covenants that except as otherwise provided herein, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security.

Section 3.07. No Recourse. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture or the Bond Purchase Agreement, against any past, present or future member, official, officer, director or employee of the Issuer, or any successor organization, as such, either directly or through the Issuer or any successor organization, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, official, officer, director, agent or employee as such is hereby expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

Section 3.08. No Personal Liability. No director, member, officer or employee of the Issuer, including any person executing this Indenture or the Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance, sale or repayment of the Bonds.

ARTICLE IV

FUNDS

Section 4.01. Establishment and Use of Bond Fund. There is hereby created and established with the Trustee a special fund to be designated the "Michigan Public Educational Facilities Authority – Black River Public School 2006 Bond Fund" (the "Bond Fund"). Within the Bond Fund there shall be established separate trust accounts to be designated the "Revenue Account," the "State Aid Intercept Account," and the "Redemption Account," provided, however, no such account is required to be established and opened by the Trustee until such time as the account is needed under the provisions of this Indenture. Any other amounts received for deposit in the Bond Fund shall be deposited in the Revenue Account of the Bond Fund and shall not be commingled with any other moneys held by the Trustee.

There shall be deposited in the Revenue Account of the Bond Fund (a) any proceeds of the Series 2006 Bonds required to be deposited in the Bond Fund to pay accrued interest, if any, on the Series 2006 Bonds; (b) all Academy Repayments under the Municipal Obligation and the Financing Agreement other than Scheduled Installment Payments, including all proceeds resulting from the enforcement of the Security or its realization as collateral; (c) investment earnings transferred from the Reserve Fund; and (d) all moneys received by the Trustee under the Financing Agreement for deposit in the Revenue Account of the Bond Fund, including Surplus Bond Proceeds, if any.

There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Installment Payments which are made pursuant to the State Aid Agreement.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(a) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Installment Payment required to be made by the Academy;

(b) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payment required to be made by the Academy;

(c) third, as specified in the Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments required to be made by the Academy (the Trustee being permitted but not required to establish a subaccount for purposes of tracking Scheduled Fee Payments under the Financing Agreement); and

(d) fourth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Installment Payments, Additional Payments and Reserve Fund Payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizing Body or as otherwise directed by the Authority with the requirements of Section 505 of the Financing Agreement.

There shall be deposited into the Redemption Account all Redemption Account Payments received by the Trustee under the Financing Agreement for deposit in the Redemption Account of the Bond Fund. Monies on deposit in the Redemption Account shall be used to redeem Bonds in accordance with their terms.

The Issuer hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in the Indenture.

After payment of all principal of, premium, if any, and interest on the Bonds then due as of each September 1 and satisfaction of any other Additional Payments or Reserve Fund Payments then due, the Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such investment earnings and credit such amount towards the Installment Payment to be paid from the Academy's State School Aid intercepted on the next Payment Date.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Indenture or with respect to the Bonds or the interest thereon.

Section 4.02. Establishment, Use and Maintenance of Reserve Fund. The Reserve Fund shall be established with the Trustee. The Reserve Fund shall receive certain proceeds of the Series 2006 Bonds as described in Section 2.02 hereof and from time to time such additional moneys required to be deposited therein by the Academy pursuant to the Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2006 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2006 Bonds.

Earnings realized from Eligible Investments in the Reserve Fund shall be transferred to the Bond Fund on or after each April 1 and October 1, unless the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, in which case, earnings on the Reserve Fund shall be retained in the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement. Monies from the proceeds of the Series 2006 Bonds or Additional Bonds held in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred by the Trustee to the credit of the Revenue Account of the Bond Fund to be used to pay principal or interest on the Bonds on the next available Bond Payment Date.

Section 4.03. Establishment and Use of Project Fund. There is hereby created and established with the Trustee a special fund to be designated the "Michigan Public Educational Facilities Authority – Black River Public School 2006 Project Fund". Certain proceeds of the Bonds, as described in Section 4.04 hereof, shall be delivered to the Trustee for deposit into the Project Fund. Any moneys received by the Trustee from any source for the Project shall also be deposited in the Project Fund. Moneys in the Project Fund shall be expended and disbursed to pay Costs of the Project, including the Academy Refunding, in accordance with the provisions of the Financing Agreement. The moneys in the Project Fund shall be held in trust by the Trustee and, pending application to pay Costs of the Project, shall be held as trust funds under this Indenture until paid out or transferred as provided in the Financing Agreement. Upon receipt of the Completion Certificate under the Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Revenue Account of the Bond Fund to be used to pay principal or interest on the Bonds on the next available Bond Payment Date.

Section 4.04. Deposit of Bond Proceeds. The net proceeds from the sale of the Bonds, after provision is made for any payments to the Revenue Account of the Bond Fund under Section 4.01 and the Reserve Fund under Section 4.02 shall be deposited into the Project Fund.

Section 4.05. Account Statements. The Trustee shall keep and maintain adequate account statements, including receipts and statements of disbursements, deposits and investments, pertaining to the Project Fund, Bond Fund and Reserve Fund. The Trustee shall provide monthly transaction and asset statements pertaining to such Funds to the Academy and to the Issuer. Although the Academy recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Academy hereby agrees that confirmations of Eligible Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.06. Investment of Fund Moneys. Moneys held as part of the Project Fund, the Bond Fund and the Reserve Fund shall be invested and reinvested at the written direction of the Academy in Eligible Investments in accordance with the provisions of the Financing Agreement. The Trustee may conclusively rely upon such instructions as to the suitability of the directed investments. In the event no such instructions are received by the Trustee, such amounts shall be invested in Eligible Investments described in clause (j) of the definition thereof, pending receipt of such investment instructions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Any Eligible Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund and account which was used to purchase the same. All interest accruing thereon and any profit realized from Eligible Investments shall be credited to the respective fund or account and any loss resulting from Eligible Investments shall be similarly charged. At the written direction of the Academy, the Trustee shall cause to be sold and reduced to cash a sufficient amount of Eligible Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement from the applicable Fund. The Trustee shall not be accountable for any depreciation in the value of any Eligible Investment or for any loss resulting from such sale.

Section 4.07. Arbitrage. The Issuer recognizes that investment of the Bond proceeds will be at the written direction of the Academy, but agrees that it will commit no act that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. The Trustee covenants that, while recognizing that investment of Bond proceeds will be at the written direction of the Academy, should the Issuer file with the Trustee, or should the Trustee otherwise receive, an opinion of Bond Counsel, to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become "arbitrage bonds", then the Trustee will comply with any instructions of the Issuer or such Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming "arbitrage bonds". The Trustee shall file a copy of any such opinion of Bond Counsel with the Issuer and the Academy.

Section 4.08. Repayment to the Academy From the Funds. Any amounts remaining in the Project Fund, the Bond Fund and the Reserve Fund after payment in full of the Bonds, the fees and expenses and other costs specified in ARTICLE V of the Financing Agreement, and all other amounts required to be paid under the Financing Agreement or the Indenture, shall be paid to the Academy upon full payment of the Financing Agreement.

ARTICLE V

DISCHARGE OF LIEN

Section 5.01. Discharge of Lien and Security Interest. Subject to the next paragraph, upon payment in full of the Bonds, the lien of this Indenture upon the Security shall cease, terminate and be void, and thereupon the Trustee, upon determining that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and upon payment of the Trustee's fees, costs and expenses hereunder, shall (i) cancel and discharge this Indenture and the security interests, (ii) execute and deliver to the Issuer and the Academy such instruments in writing as shall be required to cancel and discharge this Indenture and the security interests, (iii) reconvey, as applicable, to the Issuer and the Academy the Security, and (iv) assign and deliver to the Issuer and the Academy so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Bonds; provided, however, such cancellation and discharge of this Indenture shall not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds; and provided, further, that the rights of the Issuer and the Trustee to indemnity and payment of all reasonable fees and expenses shall survive.

If payment or provision therefor has been made with respect to all the Bonds, the interest of the Trustee in the Financing Agreement shall cease and the Trustee shall cancel the Financing Agreement and return the same to the Academy. Neither the obligations nor moneys deposited with the Trustee pursuant to this ARTICLE V shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust, for the payment of the principal, redemption premium, if any, and interest on the Bonds in accordance with the terms of this Indenture.

Section 5.02. Provision for Payment of Bonds. Bonds shall be deemed to have been paid within the meaning of Section 5.01 if:

(a) there have been irrevocably deposited in the Bond Fund either cash or noncallable Government Obligations, of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (such earnings to be held in trust also), be sufficient, for the payment at their respective maturities or redemption dates prior to maturity, of the principal thereof and the redemption premium (if any) and interest to accrue thereon to such maturity or redemption dates, as the case may be;

(b) there have been paid all fees, costs and expenses of the Issuer and the Trustee then due or to become due or there are sufficient moneys in the Bond Fund to make such payments;

(c) if any Bonds are to be redeemed on any date prior to their maturity, the Trustee has received in form satisfactory to it irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices; and

(d) the Trustee shall have received a written opinion of Bond Counsel to the effect that such deposit (and the payment of the Bonds therefrom) will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

In determining the sufficiency of the moneys and/or Government Obligations deposited pursuant to subsection (a) of this Section 5.02, the Trustee shall be entitled to receive, at the expense of the Academy, and may rely on a verification report of a firm of nationally recognized independent certified public accountants.

Limitations elsewhere specified herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the obligations described in the preceding subparagraph (a)(ii) for the purpose of defeasing the lien of this Indenture as to Bonds which have not yet become due and payable. In addition, all moneys so deposited with the Trustee as provided in this Section 5.02 may also be invested and reinvested, at the written direction of the Academy, in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the Trustee pursuant to this Section 5.02 which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited under this Section 5.02 shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

Section 5.03. Discharge of this Indenture. Notwithstanding the discharge and cancellation of the lien of this Indenture upon the Security under Section 5.01, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with such discharge and cancellation of the lien upon the Security, shall nevertheless continue and subsist after payment in full of the Bonds until the Trustee shall have returned to the Academy all funds held by the Trustee in the Bond Fund, the Project Fund and the Reserve Fund pursuant to Section 4.08 of this Indenture.

Section 5.04. Unclaimed Moneys. Any moneys deposited with the Trustee in accordance with the terms and provisions of this Indenture, or any moneys held by any paying agent, in trust for the payment of the principal of and redemption premium, if any, or interest on the Bonds and remaining unclaimed by the Registered Owners of the Bonds for five years after the final maturity of all Bonds issued hereunder or the redemption date of all the Bonds, as the case may be, shall be applied by the Trustee in accordance with the Uniform Unclaimed Property Act, Act. No. 29, Public Acts of Michigan, 1995, as amended from time to time. The Issuer and the Trustee shall have no responsibility with respect to such moneys.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES

Section 6.01. Events of Default. Any one of the following shall constitute an Event of Default hereunder:

(a) Default in the payment of any interest on any Bond when and as the same is due;

(b) Default in the payment of the principal of or any premium on any Bond when and as the same is due, whether at the stated maturity or redemption date thereof or by acceleration;

(c) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Issuer included in this Indenture or in the Bonds and the continuance thereof for a period of 30 days after the Trustee or the holders of not less than 51% in principal amount of the Bonds gives written notice to the Issuer and the Academy; provided, however, if such Default is such that it cannot be cured within such period, it shall not constitute and Event of Default if the Default, in the opinion of the Trustee, is correctable and will not have a material adverse effect on the Bondholders or any of the security for the Series 2006 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected; or

(d) The occurrence of an "Event of Default" as defined in the Financing Agreement.

Section 6.02. Acceleration. Upon the occurrence of any Event of Default hereunder, the Trustee may and upon (i) the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then Outstanding or (ii) the occurrence of an Event of Default under subsection (a) or (b) of Section 6.01 hereof, the Trustee shall immediately, by notice in writing sent to the Issuer, declare the principal of and any premium on all Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon such declaration, such principal and premium, if any, and interest shall become and be immediately due and payable. Interest on the Bonds shall cease to accrue on the date of such declaration. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Financing Agreement to declare all payments thereunder to be immediately due and payable, to the extent it has not already done so.

Immediately following any such declaration of acceleration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

Section 6.03. Other Remedies; Rights of Bondholders. Upon the happening and continuance of an Event of Default hereunder the Trustee may, with or without taking action under Section 6.02 hereof, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of this Indenture or the Financing Agreement, the Collateral Documents or any other security provided by the Academy.

Subject to Section 6.02 hereof, upon the happening and continuance of an Event of Default, and if requested to do so by the holders of at least fifty-one percent in aggregate principal amount of Bonds then Outstanding and the Trustee is indemnified as provided in Section 7.01 hereof, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 6.02 hereof as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

The Trustee, as the assignee of all right, title and interest of the Issuer in and to the Financing Agreement (with the exception of the Unassigned Rights), shall be empowered to enforce each and every right granted to the Issuer under the Financing Agreement (with the exception of the Unassigned Rights).

In addition to and without limitation of the foregoing, the Trustee shall not otherwise be obligated to acquire possession of or take any other action with respect to the property subject to the Mortgage (the "Mortgaged Property"), if as a result of any such action, the Trustee would be considered to hold title to, to be a "mortgagee-in-possession of", or to be an "owner" or "operator" of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended from time to time, unless the trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

(a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and

(b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clan-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost hereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Notwithstanding anything contained herein or in the Mortgage to the contrary, before taking any action under this Section 6.03, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished to it for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, demands, damages, losses, penalties, fines, fees, costs, liabilities (including strict liability) and expenses which may result from such action.

Section 6.04. Right of Bondholders to Direct Proceedings. If a Default occurs of which the Trustee is by reason of Section 7.01(j) deemed to have notice, then the Trustee within forty-five days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered holders of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by written instrument filed with the Trustee (i) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice, (ii) request the Trustee to give written notice of a Default or Event of Default to the Academy and the Authority or give such notice themselves under the provisions of Section 6.01, (iii) as to any Event of Default, request the Trustee to exercise any of the remedies under Section 6.02, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy, (iv) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (v) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however that there shall be not such waiver, rescission or termination unless all arrears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, in connection with such Event of Default shall have been paid or provided for, and (vi) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

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In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more of the foregoing rights or one or more of the remedies upon an Event of Default herein authorized and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in Section 7.01(h) and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all of the rights and remedies herein authorized in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

No Bondholder shall have the right to institute any proceeding for the enforcement of this Indenture unless such Bondholder has given the Trustee and the Academy written notice of an Event of Default, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, and there shall have been offered to the Trustee indemnity and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable time. Nothing in this Indenture shall affect or impair any right of enforcement conferred on any Bondholder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and redemption premium (if any) and interest on Bonds at and after the maturity thereof, or (ii) the obligation of the Issuer to pay the principal of and redemption premium (if any) and interest on Bonds to such Bondholder at the time, place, from the source and in the manner as provided in this Indenture.

Section 6.05. Discontinuance of Default Proceedings. In case the Trustee has proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken subject to the limits of any adverse determination.

Section 6.06. Waiver. With the written consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Trustee may waive any Default or Event of Default hereunder and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been

made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

No delay or omission to exercise any power accruing upon Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.07. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this ARTICLE VI shall be deposited in the Bond Fund. After payment of (i) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees, and all other current outstanding fees and expenses of the Trustee, and (ii) any sums due to the Issuer under the Financing Agreement (other than Academy Repayments), such moneys shall be applied in the order set forth below:

(a) Unless the principal on all Bonds shall have become or been declared due and payable, all such money shall be applied:

<u>First</u> – To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment,

<u>Second</u> – To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date; and

<u>Third</u> – To the payment of any bond servicing costs as the Trustee may be directed in writing by an authorized officer of the Authority.

(b) If principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority as between principal or interest, ratably according to amounts due respectively for principal and interest to the persons entitled thereto.

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(c) If the principal on all Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under this Article then, subject to paragraph (b) of this Section in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the trustee by the Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to e made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment. The Trustee is hereby appointed and does hereby agree to act in such capacity, and to perform the express duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers and perform any of its duties herein by or through attorneys, agents, receivers or employees, and shall be entitled to rely on advice of Counsel and other professionals concerning all matters of such trusts, powers and duties. The Trustee shall not be answerable for the default or misconduct of any attorney, agent, receiver or employee selected by it with reasonable care, and may in all cases pay such Persons reasonable compensation. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with its trusts, powers and duties herein, except only for its gross negligence or willful misconduct.

(b) The Trustee shall not be responsible for any recital herein or in the Bonds (except with respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the Security for the Bonds. Except as otherwise provided in Section 6.02 hereof, the Trustee shall have no obligation to perform any of the duties of the Issuer under the Financing Agreement, and the Trustee shall not be liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.06 hereof. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Bondholder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Issuer or for the use by the Academy of the proceeds of the Loan (as defined in the Financing Agreement). The Trustee may become the owner of Bonds with the same rights as any other Bondholder.

(d) The Trustee shall be protected in acting upon opinions of counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by an authorized representative of such Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Bond (such ownership to be established as provided in Section 2.08 hereof), shall be conclusive and binding upon all future owners or holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(e) The permissive right of the Trustee to do things enumerated in this Indenture or the Financing Agreement shall not be construed as duties. The Trustee shall only be responsible for the performance of the duties expressly set forth herein and shall not be answerable for other than its gross negligence or willful misconduct in the performance of those express duties.

(f) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Project.

(g) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers or otherwise hereunder.

(h) Before taking any action requested hereunder, the Trustee may require that satisfactory security or indemnity be furnished to it for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own gross negligence or willful misconduct by reason of any action so taken.

(i) All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the holders of the Bonds as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Academy under the Financing Agreement or the Issuer under this Indenture, and shall not be deemed to have, or required to take, notice of a Determination of Taxability or an Event of Default under this Indenture, except (i) in the event

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the Academy fails to pay any Academy Repayment when due, (ii) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bonds, (iii) upon written notification actually received by the Trustee of a Determination of Taxability from the Academy, the Issuer or the holder of any Bonds, (iv) upon written notification actually received by the Trustee of a default or Event of Default from the Issuer, the Academy or the holders of not less than 25% of the principal amount of Outstanding Bonds. In the absence of such notice, the Trustee may conclusively presume there is no Determination of Taxability and no Event of Default except as aforesaid. The Trustee may nevertheless require the Issuer and the Academy to furnish information regarding performance of their obligations under the Financing Agreement and this Indenture, but is not obligated to do so.

(k) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture and the Financing Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture and the Financing Agreement and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The foregoing shall not limit the Trustee's obligations under Section 6.02 hereof.

(l) In the event that the Trustee receives direction from Bondholders under any section of this Indenture which permits Bondholders to direct the actions of the Trustee, the Trustee shall only be required to act pursuant to the direction of the Bondholders which represent the largest percentage in aggregate principal amount of the Outstanding Bonds at the time such direction is issued to the Trustee (the "Majority Direction"). The Trustee may act pursuant to other directions of Bondholders to the extent that such direction is not inconsistent with the Majority Direction. The Trustee shall not be liable for a failure to act upon any direction except the Majority Direction when acting pursuant to this Section 7.01(l). Nothing in this Section 7.01(l) shall be construed to modify or amend any section hereof which requires a minimum number of Bondholders to direct the Trustee to take certain action before the taking of such action by the Trustee becomes mandatory.

Section 7.02. Fees, Expenses. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, counsel fees and other ordinary expenses reasonably made or incurred by the Trustee in connection with such ordinary services. If it becomes necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable extraordinary expenses in connection therewith; provided, that if such extraordinary services or extraordinary expenses are occasioned by the gross negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor.

The Trustee shall also be indemnified by the Academy as provided in the Financing Agreement. The Trustee recognizes that all fees, charges and other compensations to which it may be entitled under this Indenture are required to be paid by the Academy under the terms of the Financing Agreement or from funds derived from the Project or from the proceeds of the

Bonds. Accordingly, the Trustee agrees that except for moneys that the Issuer may derive from the foregoing (excluding, however, the moneys for the issuance fee, administrative costs, taxes and other public service charges and indemnity under the Financing Agreement) the Issuer shall not be liable for any such fees, charges and other compensation to which the Trustee may be entitled. Payment of all such amounts shall however, be secured by the Security as set forth herein.

As security for the payment of the Trustee's fees, costs and expenses and for the indemnity provided in this Section 7.02, the Trustee shall have a first lien on all moneys and property coming into its possession.

When the Trustee incurs expenses or renders services after the occurrence of an act of bankruptcy with respect to the Issuer or the Academy, the expenses and the compensation for the services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

The Academy's payment obligations under this Section shall survive the discharge of this Indenture and the resignation or removal of the Trustee, and shall not be limited by any law affecting the compensation of a trustee of an express trust.

Section 7.03. Intervention in Litigation. In any judicial proceeding to which the Issuer or the Academy is a party, and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the holders of the Outstanding Bonds, the Trustee may intervene on behalf of the Owners of the Bonds and shall do so if requested in writing by the holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, and when provided with sufficient indemnity pursuant to Section 7.01(h) hereof.

Section 7.04. Resignation; Appointment of Successor Trustee; Successor Trustee Upon Merger, Consolidation or Sale.

(a) The Trustee and any successor Trustee may resign only upon giving 30 days' prior written notice to the Issuer, the Academy and the Bondholders. Such resignation shall take effect only upon the appointment of a successor Trustee as described in Section 7.04(b) below and the acceptance of such appointment by the successor Trustee. Upon appointment of a successor Trustee, the resigning Trustee shall, after payment of its fees, costs and expenses, assign all of its right, title and interest in the Security, and transfer and assign its right, title and interest in the Indenture to the successor Trustee. The successor Trustee shall meet the requirements of Section 7.04(b) below and shall accept in writing its duties and responsibilities hereunder and file such acceptance with the Issuer and the Academy.

(b) In case the Trustee shall give notice of resignation or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public office or offices, or of a receiver appointed by a court, a successor may with the prior written consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys in fact, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the Issuer, the retiring Trustee, the successor Trustee and the Academy. In the absence of an appointment by the Bondholders, the Issuer may, with the consent of the Academy (to the extent that no "Event of Default" shall have occurred and be continuing under the Financing Agreement), appoint a successor Trustee, by an instrument in writing signed by an authorized officer of the Issuer, a copy of which shall be delivered personally or sent by first class mail, postage prepaid, to the retiring Trustee, the successor Trustee and the Academy. If the Registered Owners and the Issuer fail to so appoint a successor Trustee, hereunder within sixty (60) days after the Trustee has given notice of its resignation, has been removed, has been dissolved, has otherwise become incapable of acting hereunder or has been taken under control by a public officer or receiver, the Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor hereunder. Every such Trustee appointed pursuant to the provisions of this Section 7.04 (i) shall at all times be a bank having trust powers or a trust company, (ii) shall at all times be organized and doing business under the laws of the United States of America or of any state, (iii) shall have, or be wholly owned by an entity having, a combined capital and surplus of at least $50,000,000, (iv) shall be authorized under such laws to exercise corporate trust powers, and (v) shall be subject to supervision or examination by federal or state authority.

(c) Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, provided such company shall be eligible under Section 7.04(b) hereof, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 7.05. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing (a) delivered to the Trustee, the Issuer and the Academy and signed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, or (b) delivered to the Trustee and the Issuer and signed by the Academy; provided that if an Event of Default has occurred and is continuing hereunder, the Trustee may not be removed without the consent of the holders of a majority in aggregate principal amount of the Bonds then Outstanding. No removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment in the manner provided in Section 7.04 hereof. Upon such removal and the payment of its fees, costs and expenses, the Trustee shall assign to the successor Trustee all of its right, title and interest in the Security in the same manner as provided in Section 7.04 hereof.

Section 7.06. Instruments of Bondholders. Any instrument required by this Indenture to be executed by Bondholders may be in any number of writings of similar tenor and may be executed by Bondholders in person or by an agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent shall be sufficient for any of

the purposes of this Indenture if it is established by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof. Proof of the ownership of Bonds shall be established by the ownership records noted in the Bond Register.

The Trustee may rely on such an instrument of Bondholders unless and until the Trustee receives notice in the form specified above that the original such instrument is no longer trustworthy. In the event that the Trustee receives conflicting directions from two groups of Bondholders, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Bondholders which hold the largest percentage of Bonds shall be controlling and the Trustee shall follow such directions as required in this Indenture.

Section 7.07. Appointment of Separate or Co-Trustee. It is the intent of the parties to this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the rights of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Financing Agreement, and in particular in the case of the enforcement of this Indenture on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee, or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 7.07 are adapted to these ends.

If the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, duty, obligation, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee with respect thereto shall be exercisable by, vested in and conveyed to such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary for the exercise thereby by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully vesting in and confirming to them such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. If any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting or not be qualified to act, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate trustee or co-trustee.

ARTICLE VIII

AMENDMENTS, SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures. The Issuer and the Trustee without the consent of or notice to any Bondholders, may enter into an indenture or indentures supplemental to this Indenture and not inconsistent herewith for one or more of the following purposes:

(a) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which do not materially adversely affect the interest of the Bondholders;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under this Indenture;

(d) To modify, amend or supplement this Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States;

(e) To appoint a successor Trustee, separate trustees or co-trustees in the manner provided in ARTICLE VII;

(f) To comply with the provisions of this Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;

(g) To maintain the exclusion of interest on the Bonds from gross income for federal or State of Michigan income tax purposes;

(h) To make any other change which the Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or

To accomplish, implement, or give effect to any other action which is authorized or required by the Agreement or this Indenture.

When requested by the Issuer or the Academy, and upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent under this Indenture have been met, the Trustee shall join the Issuer in the execution of any such supplemental indenture. A copy of all such supplemental indentures shall be promptly furnished to the Academy.

Section 8.02. Amendments to Indenture; Consent of Bondholders and the Academy. Exclusive of supplemental indentures covered by Section 8.01 hereof and subject to the terms and provisions contained in this Section 8.02, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected by such indenture or indentures supplemental hereto shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee of such other indenture or indentures supplemental hereto as shall be consented to by the Issuer, which consent shall not be unreasonably withheld, for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Article shall permit, or be construed as permitting (a) without the consent of the holders of all Bonds then outstanding (i) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (ii) a reduction in the principal amount of, or the premium or the rate of interest on, any Bond, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) the creation of a lien prior to the lien of this Indenture, (v) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental indenture, or (b) a modification or change in the duties of the Trustee hereunder without the consent of the Trustee. The giving of notice to and consent of the Bondholders to any such proposed supplemental indenture shall be obtained pursuant to Section 8.06.

Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under this ARTICLE VIII which affects any rights or obligations of the Academy shall not become effective unless and until the Academy consents to the execution of such supplemental indenture, amendment or other document.

Section 8.03. Amendments to Financing Agreement Not Requiring Consent of Bondholders. The Issuer and the Borrower may with the consent of the Trustee but without the consent of or notice to any of the Bondholders, enter into or permit any amendment of the Financing Agreement acceptable to the Academy as may be required (i) to cure any ambiguity or formal defect or omission which shall not adversely affect the interest of the Bondholders; (ii) to grant or pledge to the Issuer or Trustee, for the benefit of the Bondholders, any additional security; or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not materially adverse to the Trustee or the Bondholders.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.04. Amendments to Financing Agreement Requiring Consent of Bondholders. Except as provided in Section 8.03 hereof, the Issuer shall not enter into, and the Trustee shall not consent to, any other modification or amendment of the Financing Agreement, nor shall any such modification or amendment become effective, without the consent of the holders of not less than a majority of the aggregate principal amount of the Bonds at the time Outstanding, such consent to be obtained in accordance with Section 8.06 hereof. No such amendment may, without the consent of the holders of all the Outstanding Bonds, reduce the amounts or delay the times of payment of Academy Repayments under the Financing Agreement.

Copies of any such amendments to the Financing Agreement shall be filed with the Trustee.

Section 8.05. Amendments, Changes and Modifications to the Financing Agreement. The Trustee may, without the consent of the owners of the Bonds, consent to any amendment of the Financing Agreement as may be required for purposes of curing any ambiguity, formal defect or omission which, in the Trustee's judgment, acting in reliance upon an opinion of Counsel, does not prejudice in any material respects the interests of the Bondholders. Except for such amendments, the Financing Agreement may be amended only with the consent of the Issuer, the Trustee and the owners of a majority in aggregate principal amount of Outstanding Bonds, except that no such amendment may be made which would reduce the amounts required to be paid or the time for payment of such amounts under the Financing Agreement without the written consent of the owners of all the Outstanding Bonds.

Copies of any such amendments, changes or modifications to the Financing Agreement shall be filed with the Trustee.

Section 8.06. Notice to and Consent of Bondholders. If consent of the Bondholders is required under the terms of this Indenture for the amendment of this Indenture or the Financing Agreement for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first class mail to the last known holders of the Outstanding Bonds then shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the designated corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice the holders of a majority or all, as the case may be, of the principal amount of the Bonds Outstanding by instruments filed with the Trustee shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Bondholders shall thereby be conclusively presumed.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Bondholders and the Academy any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Bondholders and the Academy as herein provided.

Section 9.02. Severability. If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other part or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

The invalidity of any one or more phrases, sentences, clauses or Sections of this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 9.03. Notices. Except as otherwise provided herein, all notices, certificates, or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy or other electronic means addressed as follows:

If to the Issuer:
Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building, 1st Floor
430 W. Allegan
Lansing, Michigan 48922
Tel: (517) 335-0994
Fax: (517) 241-9509

If to the Academy:
Black River Public School
491 Columbia Avenue
Holland, MI 49423-4838
Attn: David M. Angerer
Tel: (616) 355-0055 x103
Fax: (616) 355-0057

If to the Trustee:
Wells Fargo Bank, N.A.
300 North Meridian Street
16th Floor
Indianapolis, Indiana 46204-1751
Attn: Corporate Trust Services, John Alexander
Tel: (317) 977-1160
Fax: (317) 977-1118

A duplicate copy of each notice given hereunder by either party hereto shall be given to the Trustee, the Issuer and the Academy. Any person or entity listed above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. For purposes of this Section, "electronic means" shall mean telecopy or facsimile transmission or other similar electronic means of communication which produces evidence of transmission.

Section 9.04. Additional Notices to Rating Agencies. The Trustee hereby agrees that if at any time (a) there is a change in the Trustee; (b) there are any modifications, supplements or amendments to the Indenture, Financing Agreement of which the Trustee has notice; or (c) all of

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the Bonds are paid in full; then, in each case, the Trustee shall promptly give notice of any such event to each Rating Agency then maintaining a rating on the Bonds, if any, which notice in the case of an event described in clause (b) above shall include a copy of any such amendment, modification or supplement.

Section 9.05. Payments Due on Non-Business Days. In any case where the date of maturity of interest on or premium, if any, or principal of the Bonds or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

Section 9.06. Interest Computation. The interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months thereafter.

Section 9.07. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

Section 9.08. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

Section 9.09. Governing Law. This Indenture shall be governed by and interpreted in accordance with the laws of the State.

Section 9.10. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE X

REQUESTS FOR INFORMATION

Section 10.01. Periodic Academy Filings.

(a) The Trustee shall maintain a file (which may be in electronic form) of the Academy's quarterly filings of its unaudited statement of revenues, expenditures and changes in fund balances, together with its General Fund Budget and its end-of-year audited financial reports on the operations of the Academy during its just completed fiscal year, each to the extent made with the Trustee as required by the Financing Agreement.

(b) The Trustee shall maintain a file of any written requests for a copy of such reports, received by the Trustee from any Beneficial Owner of any Series 2006 Bond, which requests each must contain the Beneficial Owner's express representation and request to substantially this effect:

(i) The undersigned represents to the Trustee, the Authority and the Academy that the undersigned currently owns $___________ aggregate principal amount of Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 which the undersigned purchased from ________________________.

(ii) This is a continuing request to the Trustee to provide to the undersigned, at the address set forth below or such other address as we hereafter in writing tell the Trustee, a copy of each unaudited financial and budget report, end-of-year report of Black River Public School filed with the Trustee within the preceding 92 days and hereafter, until the undersigned in writing terminates this request or none of the Bonds is any longer outstanding.

Address of the undersigned: ______________________________

____

(c) The Trustee shall honor each written request that it receives, as described in subsection (b) above, in accordance with its terms.

(d) Nothing in this Section 10.01 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine any such report received from the Academy, or to provide a copy of any such report to anyone, who has not made a request therefor in the form, prescribed in subsection (b) above.

Section 10.02. Requests to the Academy.

(a) The Trustee agrees that for as long as the Agreement is in effect, if anyone who represents that it is a Beneficial Owner of a Series 2006 Bond by delivering to the Trustee a signed statement substantially to the effect of paragraph (i) in Section 10.01(b) above (a "Requesting Bondholder") requests the Trustee to request from the Academy, for and on behalf of such beneficial owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Bondholder in its discretion determines is necessary regarding the Academy, the Trustee accordingly will make such request to the Academy. The Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Academy in response to such request. The Trustee reserves the right to provide such information it receives from the Academy or the Authorizing Body to a Requesting Bondholder via electronic mail or media. Requests for physical hard copies shall incur a reasonable fee to be paid by the Requesting Bondholder.

(b) Nothing in this Section 10.02 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder. The Trustee reserves the right to provide such information it receives from the Academy or the Authorizing Body to a Requesting Bondholder via electronic mail or media. Requests for physical hard copies shall incur a reasonable fee to be paid by the Requesting Bondholder.

Section 10.03. Requests to Authorizing Body.

(a) The current authorizing body of the Academy is Grand Valley State University Board of Trustees (which, or any subsequent authorizing body of the Academy, is below called the "Authorizing Body"). The Trustee agrees that for as long as the Agreement is in effect:

(i) if pursuant to Section 10.02 above the Trustee has, on behalf of a Requesting Bondholder, requested but been unable to receive such information from the Academy, then if the Requesting Bondholder further asks the Trustee to request such information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request; and

(ii) if a Requesting Bondholder asks the Trustee to request any of the below-listed information from the Authorizing Body, the Trustee accordingly will make such request to the Authorizing Body; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Authorizing Body in response to such request:

1. Quarterly or annual financial statements of the Academy;

2. The initiation of proceedings by the Authorizing Body, including the issuance of notice to show compliance, to revoke or suspend the Academy's charter;

3. Written notice received from the Academy regarding voluntary election to terminate its contract;

4. Enrollment data; and

5. Other monetary obligations of the Academy for which any of its state school aid payments are pledged.

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(b) Nothing in this Section 10.03 imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Authorizing Body in response to any written request it receives from a Requesting Bondholder, or to examine anything received from the Authorizing Body, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder. The Trustee reserves the right to provide such information it receives from the Academy or the Authorizing Body to a Requesting Bondholder via electronic mail or media. Requests for physical hard copies shall incur a reasonable fee to be paid by the Requesting Bondholder.

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IN WITNESS WHEREOF, the Issuer has executed this Indenture by one of its authorized officers and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

By:__________________________________
Thomas J. Letavis

Its:__________________________________
Executive Director

WELLS FARGO BANK, N.A., as Trustee

By:__________________________________

Its:__________________________________
Vice President

EXHIBIT A

FORM OF FIXED RATE SERIES 2006 BOND

R-_

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA
STATE OF MICHIGAN

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE AND REFUNDING BOND
(BLACK RIVER PUBLIC SCHOOL PROJECT)
SERIES 2006

INTEREST RATE	MATURITY DATE	DATE OF ORIGINAL ISSUE	CUSIP
	___________, ____	_________, _________	______

Registered Owner:

Principal Amount:

FOR VALUE RECEIVED, the Michigan Public Educational Facilities Authority (the “Issuer”) hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, at the principal corporate trust or other designated office of the Trustee named below, on the Maturity Date specified above, unless redeemed prior thereto, the Principal Amount specified above, together with interest thereon at the interest rate specified above from the authentication date hereof or such later date to which interest has been paid, but only from the sources and in the manner hereinafter provided on each March 1 and September 1 (each an

"Interest Payment Date") until the principal hereof is paid or duly provided for upon redemption or maturity. Payment of the principal of, redemption premium, if any, and interest on this Bond shall be made in lawful money of the United States of America which at the time of payment is legal tender for payment of public and private debts. Unless other arrangements are made pursuant to Section 2.02 of the Indenture (hereinafter defined), interest is payable by check or draft of the Trustee mailed when due to the registered holder hereof at the close of business on the 15th day of the month immediately preceding any Interest Payment Date at the address of such holder as it appears on the Bond registration books of the Issuer maintained by the Trustee (the "Bond Register").

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve months of thirty days each.

This Bond is one of an authorized series of bonds of the Issuer designated "Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006", and issued in the aggregate principal amount of $______________ (the "Bonds"), for the purpose of acquiring an obligation (the "Municipal Obligation") of Black River Public School (the "Academy") so as to enable the Academy to refund a prior obligation and to finance certain public school academy facilities (collectively, the "Project").

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Michigan, Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended, and pursuant to a resolution of the Issuer adopted on June 14, 2006 (the "Resolution") and a Trust Indenture (the "Indenture") dated as of July 1, 2006, between the Issuer and Wells Fargo Bank, N.A., as Trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

THIS BOND AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF MICHIGAN OR THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF MICHIGAN OR GENERAL FUNDS OR ASSETS OF THE ISSUER (INCLUDING FUNDS PERTAINING TO OTHER LOANS OR ACTIVITIES OF THE ISSUER), BUT SHALL BE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE "SECURITY," ALL AS DEFINED AND PROVIDED AND SUBJECT TO LIMITATIONS SET FORTH IN THE RESOLUTION AND THE INDENTURE, WHICH RESOLUTION AND INDENTURE ARE HEREBY INCORPORATED HEREIN. THE BONDS AND INTEREST DUE THEREON ARE NOT A GENERAL OBLIGATION DEBT OR LIABILITY OF THE ISSUER AND DO NOT CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT ARE A LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND SECURED BY THE "SECURITY," AS DEFINED IN THE INDENTURE, FOR

THE EQUAL AND RATABLE BENEFIT OF THE HOLDERS, FROM TIME TO TIME, OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDHOLDER, BY THE ACCEPTANCE HEREOF, ASSENTS TO ALL PROVISIONS OF THE INDENTURE AND THE FINANCING AGREEMENT. THE ISSUER, AND ITS MEMBERS, OFFICERS, AND EMPLOYEES SHALL NOT BE LIABLE, DIRECTLY OR INDIRECTLY, FOR PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS BOND OR FOR ANY OTHER PECUNIARY LIABILITY IN ANY WAY RELATING THERETO, EXCEPT FROM THE SECURITY.

The Academy has executed and delivered to the Issuer, and the Issuer has assigned to the Trustee, the Academy's Financing Agreement (the "Financing Agreement"), in the principal amount of the Bonds. Under the Municipal Obligation and the Financing Agreement, the Academy is obligated to repay the Loan by making payments at such times and in such amounts (the "Academy Repayments") as shall be required to pay the principal of, premium, if any, and interest on the Bonds, as the same become due (the "Debt Service"). In the Indenture, the Issuer has assigned to the Trustee, to provide for payment of Debt Service on the Bonds, the Issuer's right, title and interest in and to the Financing Agreement, except for the Issuer's Unassigned Rights, as defined in the Indenture. The Academy has caused additional security to be provided to the Trustee in the form of a mortgage in the Project property.

The Security includes a security interest in the Financing Agreement (except for the Issuer's Unassigned Rights) and the Academy Repayments and in any other moneys held by the Trustee under the Indenture. The Debt Service on the Bonds is payable solely from the Security, and is an obligation of the Issuer only to the extent of the Security. The Bonds are not secured by a pledge of the faith and credit of the Issuer, the State of Michigan or any political subdivision thereof.

No recourse under or upon any obligation, covenant, acceptance or agreement contained in the Indenture, or in any of the Bonds, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise, or under any circumstances, shall be had against any employee or officer, as such, past present, or future, of the Issuer or any receiver thereof, or for or to any Holder of any Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon any of the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such to respond by reason of any act or omission on his or her part, or otherwise, for directly or indirectly, the payment for or to the Issuer or any receiver thereof, or for or to the owner or any Holder of any bond, or otherwise, of any sum that may remain due and unpaid upon any bond, shall be deemed to be and is hereby expressly waived and released as a condition of and consideration for the execution and delivery of the Indenture and the issuance of the Bonds.

The Bonds are issuable as fully registered Bonds in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof (the "Authorized Denominations"). This Bond, upon surrender hereof at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the registered holder hereof or his attorney duly authorized in writing, may, at the option of the registered holder hereof, be exchanged for an equal aggregate principal amount of Bonds of any other Authorized Denomination. This Bond is transferable as provided in the Indenture, subject to certain limitations therein contained, only upon the Bond Register and only upon surrender of this Bond for transfer to the Trustee duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the registered holder hereof or his attorney duly authorized in writing. Thereupon, one or more new Bonds of Authorized Denominations and in the same aggregate principal amount will be issued to the designated transferee or transferees.

The Issuer has established a book-entry only system of registration for the Bonds. Except as specifically provided otherwise in the Indenture, a nominee of a securities depository will be the registered owner and will hold this Bond on behalf of the beneficial owners hereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owners of this Bond shall be deemed to have agreed to this arrangement. The nominee, as registered owner of this Bond, shall be treated as the owner hereof for all purposes.

REDEMPTION OF BONDS

The Bonds are not subject to redemption prior to maturity except as hereinafter provided.

Optional Redemption

Except as provided below the Series 2006 Bonds are not subject to redemption prior to their respective maturity dates. Series 2006 Bonds, other than the Special Sinking Fund Bonds, are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after September 1, 2012 and if in part in multiples of $5,000 at the redemption price plus accrued interest to the redemption date as set forth below; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) and in such order of maturity as the Academy shall direct, at the redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Redemption Period	Redemption Price
September 1, 2012 to August 31, 2013	102.0%
September 1, 2013 to August 31, 2014	101.5
September 1, 2014 to August 31, 2015	101.0
September 1, 2015 to August 31, 2016	100.5
September 1, 2016 and thereafter	100.0

Mandatory Redemption of Term Bonds

The Series 2006 Bonds maturing on September 1, 2019, September 1, 2022 and September 1, 2030 are required to be redeemed at par plus accrued interest commencing on September 1, 2017, September 1, 2020 and September 1, 2023, respectively in the amount of the redemption requirements and on the dates set forth in the Indenture.

Mandatory Redemption Upon Determination of Taxability

The Bonds shall be subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Redemption from Insurance and Condemnation Proceeds.

The Bonds are subject to mandatory redemption in whole at any time or in part (and if in part in Authorized Denominations; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, in an amount equal to any insurance or condemnation proceeds deposited with the Trustee for the purpose of redemption pursuant to the Financing Agreement.

[Special Sinking Fund Redemption: FOR SUPER-SINKER BOND FORM ONLY

The Bonds are subject to special sinking fund redemption in part prior to maturity, at a redemption price of 100% of the principal amount plus accrued interest to the date of redemption on March 1, 2007 and each succeeding September 1 and March 1 prior to maturity, but only to the extent funds are deposited in the Redemption Account (defined in the Indenture) which are not required for other purposes as provided in the Indenture and provided that no Bond may be redeemed pursuant to these provisions if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination.]

Partial Redemption

If less than all the outstanding Bonds are called for redemption, the Trustee shall select, or arrange for the selection of, the Bonds to be redeemed by lot, in such manner as it shall in its discretion determine; provided that no Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. Notwithstanding the foregoing, Bonds held for the account of the Academy or any affiliate of the Academy ("Academy Bonds") shall be first selected by the Trustee for redemption before any other Bonds are selected for redemption. If less than the principal amount of a Bond is called for redemption, the Issuer shall execute and the Trustee shall authenticate and deliver, upon surrender of such Bond, without charge to the owner thereof, in exchange for the unredeemed principal amount of such Bond, at the option of such owner, Bonds in any of the Authorized Denominations.

Notice of Redemption

Notice of redemption shall be mailed by the Trustee by first class mail at least 30 days but not more than 45 days before any redemption date to the Registered Owner of each Bond to be redeemed in whole or in part at its last address appearing on the Bond Register; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond or a portion thereof with respect to which no such failure or defect has occurred. In addition, the Trustee may give such other notice or notices as may be recommended in releases, letters, pronouncements or other writings of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice. All Bonds so called for redemption will cease to bear interest on the specified date set for redemption, provided funds for their redemption have been duly deposited with the Trustee pursuant to the Indenture and, thereafter, the holders of such Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed in any of the Authorized Denominations.

Certain Other Provisions

If provision is made for the payment of principal of, premium, if any, and interest on this Bond in accordance with the Indenture, this Bond shall no longer be deemed outstanding under the Indenture, shall cease to be entitled to the benefits of the Indenture, and shall thereafter be payable solely from the funds provided for payment.

Under certain circumstances as described in the Indenture, the principal of all the Bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Immediately following any such declaration, the Trustee shall mail notice of such declaration by first class mail to each holder of Bonds at his last address appearing on the Bond Register. Any defect in or failure to give such notice of such declaration shall not affect the validity of such declaration.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations, if any, of the Issuer, the Academy and the holders of the Bonds at any time with the consent of the holders of a majority in aggregate principal amount of the Bonds at the time outstanding which are affected by such modifications. The Indenture also permits amendments and supplements to the Indenture and the Financing Agreement, without requiring the consent of any Bondholders in certain specifically described instances. The Indenture also contains provisions permitting holders of a majority in aggregate principal amount of the Bonds at the time outstanding, on behalf of all the holders of all Bonds, to waive compliance by the Issuer and the Academy with certain provisions of the Indenture and their consequences. Any such consent or waiver by the holder of this Bond shall be conclusive and binding upon such holder and on all future holders of this Bond and of any Bond issued in

lieu hereof whether or not notation of such consent or waiver is made upon this Bond. Supplements and amendments to the Indenture or the Financing Agreement may be made only to the extent and in circumstances permitted by the Indenture.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or the Financing Agreement, or to institute action to enforce the covenants therein, or to take any action with respect to a default under the Indenture or the Financing Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided under certain limited circumstances described in the Indenture; provided, however, that nothing contained in the Indenture shall affect or impair any right of enforcement conferred on the holder hereof by the Enabling Legislation to enforce (i) the payment of the principal of and premium, if any, and interest on this Bond at and after the maturity thereof, or (ii) the obligation of the Issuer to pay the principal of and premium, if any, and interest on this Bond to the holder hereof at the time, place, from the source and in the manner as provided in the Indenture.

The holder of this Bond, by acceptance hereof, consents to all of the terms and provisions of the Indenture and the Financing Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that all acts, conditions and things required to exist, happen and be performed precedent to the execution and delivery of the Indenture and the issuance of this Bond and the issue of which it is a part, do exist, have happened and have been timely performed in regular form and manner as required by law, and the issuance of this Bond, together with all other obligations of the Issuer, does not exceed or violate any constitutional or statutory limitation of the Issuer.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature of one of its authorized signers, this Bond shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

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IN WITNESS WHEREOF, the Michigan Public Educational Facilities Authority has executed this Bond by the manual or facsimile signature of its Executive Director as of the Date of Original Issue set forth above.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

By:___________________________________

Its:___________________________________

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Indenture.

WELLS FARGO BANK, N.A., as Trustee

By:___________________________________

Its:___________________________________

Authentication Date: ____

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto ___________
____
____

(Name and Address of Assignee)

(Taxpayer I.D. No. ________________________________)

the within Bond and does hereby irrevocably constitute and appoint ________________________ ____________________________________, the within Bond and does hereby irrevocably constitute and appoint _________________________________, attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Dated: ________________________   ____________________________________
[Signature]

NOTICE: The signature(s) to this Assignment must correspond with the name as it appears upon the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:________________________

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15) participating in a Securities Transfer Association recognized signature guarantee program.

<u>EXHIBIT B</u>

DESCRIPTION OF SERIES 2006 BONDS

[TO BE ADDED]

LAN01\156996.6
ID\ADF

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FINANCING AGREEMENT

Between

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY,

AND

BLACK RIVER PUBLIC SCHOOL

Dated as of July 1, 2006

Exhibit D-32

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MISCELLANEOUS

FINANCING AGREEMENT

This Financing Agreement (hereinafter "Agreement") is made and entered into as of July 1, 2006 among the **MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY** (the "Authority" or the "Issuer"), and **BLACK RIVER PUBLIC SCHOOL** (the "Academy").

PREMISES

The Authority has been created by the Enabling Legislation for, among other purposes, the purpose of assisting governmental units, as defined in the Enabling Legislation, including public school academies established under the revised school code, by purchasing municipal obligations in fully marketable form issued by governmental units and by lending money to (a) governmental units including public school academies and (b) other nonprofit entities for the benefit of public school academies.

The School Code authorizes public school academies to acquire by purchase, gift, devise, lease, sublease, installment purchase agreement, land contract, option, or by other means, hold and own in its own name, buildings and other property for school purposes, and interests therein, and other real and personal property, including but not limited to, interests in property subject to mortgages, security interests, or other liens, necessary or convenient to fulfill its purposes.

The School Code also authorizes public school academies to borrow money and issue bonds to defray all or a part of the cost of purchasing, erecting, completing, remodeling, or equipping, or reequipping, except for equipping or reequipping for technology, school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities, or parts of or additions to those facilities; furnishing or refurnishing new or remodeled school buildings; acquiring, preparing, developing, or improving sites, or parts of or additions to sites, for school buildings, including library buildings, structures, athletic fields, playgrounds, or other facilities; purchasing school buses; acquiring, installing, or equipping or reequipping school buildings for technology or accomplishing a combination of these purposes.

The School Code also authorizes public school academies to enter into agreements and take actions in connection with the operation and maintenance of a public school academy.

The Academy has determined that it has a need to acquire certain real property and real property improvements and refinance certain real property acquisition financing to provide a public school academy facility for the Academy in furtherance of its educational objectives.

The Authority pursuant to this Agreement will acquire the obligation of the Academy to make certain payments.

In consideration of these Premises and their mutual agreements, the Authority and the Academy agree as follows:

ARTICLE I

DEFINITIONS

Section 101. Definitions. Words and phrases capitalized herein and not defined below shall have the meanings ascribed to them in the Indenture and the Resolution adopted by the Authority on June 14, 2006 authorizing the Series 2006 Bonds. In addition, the following words and phrases as used throughout this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Additional Payments" means all payments required by the Academy under this Agreement (including but not limited to Fee Payments) other than Bond Payments.

"Agreement" means this Financing Agreement as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

"Authorized Academy Representative" means the Board President of the Academy or any other officer of the Academy authorized to act in such capacity by a resolution adopted by the Board of the Academy.

"Authorizing Body" means Grand Valley State University.

"Bond Documents" means this Agreement, the Municipal Obligation, the Indenture and the Bond Purchase Agreement.

"Bond Payment Date" means with respect to the Series 2006 Bonds March 1, 2007 and each March 1 and September 1 thereafter with respect to interest and each September 1, with respect to principal.

"Bonds Payments" means the amounts payable by the Academy under its Municipal Obligation allocable to the repayment of principal of, or interest or redemption under the Municipal Obligation which do not consist of Scheduled Fee Payments.

"Bond Purchase Agreement" means the Bond Purchase and Agreement dated July 13, 2006 among the Authority, the Academy and Fifth Third Securities, Inc.

"Bondholder" means the registered owner of any Series 2006 Bond.

"Charter" means the Academy's Contract with its Authorizing Body, together with its Articles of Incorporation and Bylaws.

"Closing Date" means the date of the initial delivery of the Series 2006 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

"Completion Certificate" means the certificate provided for in Section 604 hereof, in the form of Exhibit E hereto.

"Completion Date" means the date of the final completion of the Project as certified in the Completion Certificate.

"Costs of Issuance" has the meaning given in Section 202(aa) of this Agreement.

"Default" and "Event of Default" means those defaults and events of default, respectively, specified and defined in Section 901.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Existing Indebtedness To Be Discharged" means the indebtedness of the Academy identified on Exhibit A.

"Fee Payments" mean the fee payments required by Section 407 hereof.

"Indenture" means the Indenture between the Authority and Wells Fargo Bank, N.A, a national banking association, as trustee, dated as of July 1, 2006, as the same may be amended or supplemented in accordance with its terms.

"Interest Payment Date" means, with respect to the Series 2006 Bonds, each March 1 and September 1.

"Municipal Obligation" means the School Building and Site and Refunding Bond, Series 2006 of the Academy dated as of July 25, 2006.

"Non-Arbitrage Certificate" means, collectively, the Non-Arbitrage and Tax Compliance Certificates delivered by the Authority and the Academy in connection with the initial delivery of the Series 2006 Bonds.

"Other Obligations" means obligations of the Academy incurred pursuant to and permitted by Section 707.

"Payment Date" has the meaning given in Section 405 hereof.

"Pledged State Aid" has the meaning given in Section 405 hereof.

"Principal Amount" means $8,885,000 being the aggregate principal amount of the Series 2006 Bonds.

The term "principal," when used with reference to the principal of the Series 2006 Bonds, means principal of the Series 2006 Bonds and, where appropriate, any premium in addition to principal due upon redemption of the Series 2006 Bonds.

"Project" means the advance refunding of the Existing Indebtedness To Be Discharged and the acquisition of a facility and Site improvements more fully described on Exhibit C hereto including related Project Costs.

"Project Costs" means, with respect to the Site and the Project, (a) obligations of the Authority or the Academy incurred for labor and materials and to contractors, builders and materialmen in connection with the acquisition, construction and improvement of the Site or the Project; (b) the cost of bonds and of insurance of all kinds that may be required or necessary during the course of construction and improvement of the Project which is not paid by the contractor or contractors or otherwise provided for and taxes and other municipal governmental charges levied or assessed during construction upon the Site or the Project; (c) all costs of architectural, environmental and engineering services, including the expenses of the Academy for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent upon acquisition of the Site and the Project or the proper construction and improvement of the Project; (d) all other costs which the Academy shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction, installation, reconstruction, restoration, renovating, equipping and furnishing of the Project; (e) Costs of Issuance not to exceed $315,000.00; (f) other costs of a nature comparable to those described in clauses (a) through (e) above which the Academy shall be required to pay as a result of the damage, destruction, condemnation or taking of the Site or the Project or any portion thereof; (g) interest on the Series 2006 Bonds or in any interim obligation during the period of construction of the Project; (h) proceeds of the Series 2006 Bonds used to fund a debt service reserve fund; (i) proceeds of the Series 2006 Bonds used to advance refund the Existing Indebtedness To Be Discharged; and (j) any other costs incurred by the Academy which are properly chargeable to the Site or the Project and which may be financed by the Series 2006 Bonds under the Enabling Legislation. Project Costs do not include:

(a) Upgrades to operating system or application software;

(b) Media, including diskettes, compact discs, video tapes, and disks, unless used for storage of initial operating system software or customized application software included in the definition of technology under MCL 380.1351a(5); or

(c) Training, consulting, maintenance, service contracts, software upgrades, troubleshooting, or software support.

"Redemption Account Payments" means payments by the Academy to the Trustee on January 15 and July 15 of each year consisting of (i) all funds received by the Academy from existing pledges that have been made under the Academy's current capital fundraising campaign, all of which the Academy agrees to deposit with the Trustee, and (ii) additional capital fundraising contributions other than those described in (i) which the Academy determines, in its sole discretion, to transfer to the Trustee to be used for redemption of the Series 2006 Bonds designated as Special Sinking Fund Bonds; provided, however, that no Redemption Account Payment shall be made to the Trustee if in excess of the amount of Series 2006 Bonds subject to optional and special sinking fund redemption in accordance with the terms of the Indenture due to the definition of Authorized Denominations or otherwise.

"Scheduled Fee Payment Component" means the Scheduled Fee Payments set forth on Exhibit B, to be intercepted and allocated to payment of Fee Payments.

"Scheduled Interest Component" means the portion of the Scheduled Installment Payment to be intercepted and allocated to a payment of the interest on this obligation and the Municipal Obligation, as set forth on Exhibit B.

"Scheduled Installment Payment" means the scheduled amounts payable by the Academy as set forth on Exhibit B and under the State Aid Agreement, which consist of a Scheduled Principal Component, an Interest Component, a Set-Aside Component, and a Scheduled Fee Payment Component.

"Scheduled Principal Component" means the portion of the Scheduled Installment Payment to be intercepted and allocated to repayment of the principal amount of this obligation and the Municipal Obligation, as set forth on Exhibit B.

"Series 2006 Bonds" means $8,885,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006.

"Set-Aside Component" means the portion of the Scheduled Installment Payment to be intercepted and allocated for the payment of principal of and/or interest on the Series 2006 Bonds in the calendar month(s) in which no Payment Date for State School Aid exists, as set forth on Exhibit B.

"Site" means the real property described in Exhibit C hereto, including related Project Costs.

"State School Aid" means the state school aid payments payable to the Academy pursuant to the School Aid Act.

"Unassigned Rights" means the right of the Issuer to make all determinations and approvals and receive all notices accorded to it under this Agreement and to enforce in its name and for its own benefit the provisions of Section 407, Section 502 and Section 903 of this Agreement with respect to the Issuer fees and expenses, and indemnity payments as the interests of the Issuer and related persons shall appear.

"Underwriter" means Fifth Third Securities, Inc. and any successor thereto.

ARTICLE II

REPRESENTATIONS

Section 201. Representations of the Authority. The Authority makes the following representations:

(a) The Authority is a body corporate and politic established and acting pursuant to the Enabling Legislation with full authority under the Enabling Legislation to issue the Series 2006 Bonds and execute and enter into the Agreement, the Indenture and the Bond Purchase Agreement.

(b) All of the proceedings approving the Agreement, the Indenture, and the Bond Purchase Agreement were conducted by the Authority at meetings which complied with Act 267, Michigan Public Acts, 1976, as amended.

(c) No member of the Authority is directly or indirectly a party to or in any manner whatsoever interested in the Agreement, Indenture, Series 2006 Bonds or the proceedings related thereto.

Section 202. Representations of the Academy.

(a) The Academy is a public school academy established in accordance with the provisions of the Revised School Code (the "School Code") and has, and on the Closing Date, will have, full legal right, power and authority (i) to enter into the Bond Purchase Agreement, and this Agreement and to issue the Municipal Obligation, and (ii) to sell, pledge and assign to the Authority the state aid payments to be allocated and paid to the Academy as provided herein and the Academy has duly authorized and approved the execution and delivery of and the performance by the Academy of its obligations contained in the Bond Purchase Agreement, this Agreement and the Municipal Obligation; and the Bond Purchase Agreement, this Agreement and the Municipal Obligation have been duly authorized, executed and delivered by, and assuming due authorization by the other parties thereto, if any, are valid and binding obligations of the Academy.

(b) Neither the authorization, execution or delivery of this Agreement, the Bond Purchase Agreement and the Municipal Obligation, the consummation of the transactions contemplated by this Agreement, the Bond Purchase Agreement, the Indenture, and the Municipal Obligation nor the fulfillment of or compliance with the terms and conditions of this Agreement, the Bond Purchase Agreement and the Municipal Obligations will require any consent or approval of the governing board of the Academy or its Authorizing Body which has not been obtained, or violate any provision of law, any order of any court or other agency of government, the Charter, or any indenture, agreement or other instrument to which the Academy is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under its Charter or any such indenture, agreement or other instrument, or, except as provided hereunder, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Academy.

(c) No litigation or governmental proceeding is pending or, to the knowledge of the officers of the Academy, threatened against the Academy which could have a material adverse effect on its financial condition or business, its power to make payments under this Agreement or the authority or incumbency of its officers or directors.

(d) The Academy intends to cause the Site and the Project to be operated at all times during the term of this Agreement as a "public school academy" as that term is defined in the Revised School Code. All property which is to be financed or refinanced with the net proceeds of the Series 2006 Bonds will be owned by the Academy.

(e) Moneys which will be made available from the Authority under this Agreement and other sources will be sufficient to pay for the Site and the Project.

(f) The Academy reasonably believes that the revenues and income generally available or to become available to the Academy and payable to the Authority under this Agreement will be sufficient for allocation to and payment of the Series 2006 Bonds and interest thereon when due.

(g) The public school facility being acquired pursuant to this Agreement is needed by the Academy and does not result in an unnecessary duplication of existing facilities and has been well planned.

(h) Except for preliminary expenditures for architectural, engineering, surveying, soil testing, and similar costs (not including costs of land acquisition, site preparation, and similar costs incident to commencement of construction) that were incurred prior to commencement of acquisition, construction, renovation or rehabilitation of the facilities comprising the Site and the Project, and did not exceed in the aggregate 20 percent of the issue price of the Series 2006 Bonds, and except for costs of issuance and other costs not in excess of the lesser of $100,000 or 5 percent of the proceeds of the Series 2006 Bonds, no proceeds of the 2006 Bonds were or will be allocated to the reimbursement of an expenditure for costs of the Project paid more than 60 days prior to July 25, 2006.

(i) Proceeds of the Series 2006 Bonds will not exceed the cost of the Site and the Project and incidental costs related thereto and to the issuance of the Series 2006 Bonds.

(j) The Academy is not in default in any material respect under any order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease or instrument. The Academy is not in default under any law, rule or regulation wherein such default could materially adversely affect the Academy or the ability of the Academy to perform its obligations under this Agreement or the Bond Purchase Agreement.

(k) No more than 10 percent of the proceeds of the Series 2006 Bonds will be used directly or indirectly in a trade or business carried on by any person other than a

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governmental unit (a "private business use"). No more than 5 percent of the proceeds of the Series 2006 Bonds will be used for any private business use that is not related to governmental purposes of the Authority or the Academy or that, although related to governmental purposes of the Authority or the Academy, exceeds the amount of Series 2006 Bond proceeds used for governmental purposes of the Authority or the Academy other than a related private business use. No more than 5 percent of the proceeds of the Series 2006 Bonds will be used directly or indirectly to make or finance loans to persons other than governmental units or loans for purposes other than enabling a borrower to finance any governmental tax or assessment of general application for a specific essential governmental function such as the Project.

(l) The weighted average maturity of the Series 2006 Bonds is not greater than 120% of the average reasonably expected economic life of the facilities being financed or refinanced by the Series 2006 Bonds, as determined pursuant to Section 147(b) of the Code.

(m) There are no contracts or other arrangements providing for private business use or ownership of any property to be financed by proceeds of the Series 2006 Bonds, and the Academy covenants not to enter into any such contracts or arrangements during the term of this Agreement, including any contracts or arrangements for the provision of medical services, food services, management services, or any other types of services, except contracts and arrangements which satisfy the requirements of Rev. Proc. 97-13 or other applicable regulations under the Code.

(n) The Academy will comply with the provisions of Section 148 of the Code. The Academy covenants, for the benefit of itself, the Authority and the owners from time to time of the Series 2006 Bonds, that it will not cause or permit any proceeds of the Series 2006 Bonds to be invested in a manner contrary to the provisions of Section 148 of the Code, and that it will assume compliance with such provisions on behalf of the Authority (including, without limitation, performing required calculations, the keeping of proper records and the timely payment to the Department of the Treasury of the United States, in the name of the Authority, of all amounts required to be so paid by Section 148 of the Code), and the Academy shall carry out all of the requirements to calculate and make rebate payments to the United States and preserve records thereof.

(o) Except as permitted by Code Section 149(b), the Series 2006 Bonds are not federally guaranteed. For this purpose, a bond is federally guaranteed if (i) the payment of principal or interest is guaranteed (in whole or in part) by the United States or any agency or instrumentality thereof), (ii) 5% or more of the issue is to be (x) used in making loans the principal or interest with respect to which is to be guaranteed (in whole or in part) by the United States (or an agency of instrumentality thereof) or (y) invested directly or indirectly in federally insured deposits or accounts, or (iii) the payment of principal or interest on such bond is otherwise indirectly guaranteed (in whole or in part) by the United States (or an agency or instrumentality thereof).

(p) There are no other obligations of the Academy that were sold or are to be sold within 15 days of the sale of the Series 2006 Bonds that (i) were or are to be sold pursuant to the same plan of financing with the Series 2006 Bonds and (ii) are reasonably expected to be paid from substantially the same source of funds as the Series 2006 Bonds, determined without regard to guaranties from unrelated parties.

(q) The Academy shall not enter into any contracts or other arrangements which do not comply with (k) and (m) above.

(r) The Academy will not pay or enter into a transaction that reduces the arbitrage rebate to be paid to the United States because the transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Series 2006 Bonds not been relevant to either party.

(s) The Project will be acquired and completed not later than January 1, 2008.

(t) The Project has been or will be constructed and equipped in such manner as to conform with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Project.

(u) To the best of the knowledge of the Academy, no authorizations, consents or approvals of governmental bodies or agencies are required in connection with the execution and delivery by the Academy of this Agreement or the Bond Purchase Agreement, or in connection with the carrying out by the Academy of its obligations under this Agreement or the Bond Purchase Agreement, which have not been obtained or, if not obtained on the date of this Agreement, are expected to be obtained in the normal course of business at or prior to the time such authorizations, consents or approvals are required to be obtained.

(v) There are no actions or proceedings pending or, to the knowledge of the Academy, threatened before any court or administrative agency which will, in the reasonable judgment of the Academy, materially adversely affect the ability of the Academy to meet its obligations under this Agreement or the Bond Purchase Agreement.

(w) No director or officer of the Authority has any interest of any kind in the Academy which would result, as a result of the issuance of the Series 2006 Bonds, in a substantial financial benefit to such persons other than as a member of the general public.

(x) The information furnished by the Academy and used by the Authority in preparing its Non-Arbitrage Certificate pursuant to the Code and the information statement pursuant to Section 149(e) of the Code (Form 8038-G) is true, accurate and complete as of the date of the issuance of the Series 2006 Bonds.

(y) The Academy has complied and intends to comply with its obligations, covenants and representations under the Bond Documents, to the extent such obligations affect the tax-exempt status of the Series 2006 Bonds.

(z) None of the proceeds of the Series 2006 Bonds will be used to finance the purchase, construction, lease, or renovation of property owned, directly or indirectly, by any officer, board member, or employee of the Academy.

(aa) The Academy shall promptly pay the Costs of Issuance upon notification by the Authority. The term "Costs of Issuance" shall mean and include Underwriter's discount, underwriting fees, printing charges, letter of credit fees and related charges of a letter of credit, trustee fees, bond counsel fees, academy counsel fees, and other counsel fees and issuance fees of the Authority.

(bb) The Academy will utilize the Site and the Project for public school purposes so long as Series 2006 Bonds remain outstanding under the Indenture and will use its best efforts to operate the school in an efficient manner. The Academy will maintain its Charter in good standing. The Academy will not own, operate or utilize other public school facilities which may reduce the utilization or student population of the school facilities being acquired, and improved pursuant to this Agreement while the Series 2006 Bonds remain outstanding.

(cc) The Academy will comply with all of its obligations under the Escrow Agreement dated as of July 1, 2006 related to the refunding of the Existing Indebtedness To Be Discharged.

ARTICLE III

THE SERIES 2006 BONDS AND THE PROCEEDS THEREOF

Section 301. Series 2006 Bonds. The Authority has authorized the issuance and sale of the Series 2006 Bonds in the Principal Amount. The Authority intends to deliver Series 2006 Bonds subject to the terms of the Bond Purchase Agreement. The proceeds of the Series 2006 Bonds shall be deposited in the Project Fund. The obligations of the Authority, and the Academy under this Agreement are expressly conditioned upon delivery of the Series 2006 Bonds and receipt of the proceeds thereof.

Section 302. Purchase of Municipal Obligation. The Authority hereby agrees to purchase the Municipal Obligation $8,729,535.40, by depositing the same as follows: (a) $213,907.50 (together with $482,460.00 of Academy monies) in the Reserve Fund to be used as a debt service reserve for the Series 2006 Bonds and any Additional Bonds, (b) $5,759,999.94 (together with $195,730.91 of Academy monies) in the Project Fund, to be disbursed in accordance with Section 303 to accomplish the Academy Refunding of the Existing Indebtedness To Be Discharged, and (c) $2,755,627.96 in the Project, to be disbursed in accordance with Section 303 for payment of other Project Costs.

Section 303. Disbursements from the Project Fund. The Authority has directed the Trustee to disburse from the Project Fund established under the Indenture, upon requisition by the Academy, in accordance with Section 601 of this Agreement and the other amounts on deposit therein as provided in this Agreement.

Section 304. Additional Bonds. The Authority may, but shall not be required to, authorize the issuance of the additional bonds upon the terms and conditions provided in the Indenture. Failure by the Authority to issue additional bonds shall not release the Academy from any provisions of this Agreement, regardless of the reason for such failure.

Section 305. Investment of Funds and Accounts. Any moneys held as a part of any Fund or Account shall be invested, reinvested or applied by the Trustee in accordance with the provisions of the Indenture. Any moneys held in the Project Fund or Bond Fund shall, pending disbursement and upon written request of the Academy or oral or facsimile request of the Academy later confirmed in writing, be invested only in Eligible Investments in accordance with the provisions of Section 5.05 of the Indenture, all at such maturities, rates of interest and other specifications as the Academy may indicate in its request to the Trustee. The investments shall mature not later than the respective dates estimated by the Academy when the moneys in such Funds shall be needed for the purposes provided in this Agreement and the Indenture, but should the cash balance in a Fund be insufficient for such purpose, the Trustee is authorized to sell the necessary portion of such investments to meet that purpose. Recognizing that such investments shall be made at the written direction of the Academy, the Issuer agrees to cooperate with the Academy, and the Academy covenants that it will restrict the use of the proceeds of the Bonds (and any other funds or moneys which may be deemed to be proceeds of the Bonds pursuant to Section 148(a) of the Code), in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are issued, so that the Bonds will not constitute "arbitrage bonds" under Section 148(a) of the Code.

The Academy shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2006 Bonds pursuant to the Code in such a manner as to cause the Series 2006 Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 306. Rebate Payments to United States. The Academy for itself and for the Authority agrees that it shall calculate and make all necessary payments of investment earnings required to be rebated to the United States pursuant to the terms of the Indenture and the Non-Arbitrage Certificate. The Academy hereby further agrees that it shall comply with the procedures outlined in the Academy's Non-Arbitrage and Tax Compliance Certificate and shall furnish to the Trustee and the Authority within fifteen (15) days following each Computation Date (as defined in the Academy's Non-Arbitrage and Tax Compliance Certificate) the computations required thereby. The Trustee has no duty to confirm the accuracy of the computations made by the Academy and may assume that the computations are correct. The Academy shall provide to the Trustee and the Authority evidence of each payment of rebate, if any, within 30 days of each such payment.

ARTICLE IV

BOND PAYMENTS

Section 401. Obligations Related to Municipal Obligation. The Academy hereby agrees that it will not sell, assign title to, lease, or obtain further financing with respect to the Project or the Site except as permitted hereunder and with the written permission of the Trustee while Bond Payments or Additional Payments remain outstanding under the Municipal Obligation and this Agreement. The Academy agrees that the Authority may pledge the Municipal Obligation and this Agreement as security for its obligations to pay Series 2006 Bonds and any Additional Bonds issued under the Indenture.

If on a Bond Payment Date the Academy's payment of its obligations hereunder have been deficient or if for any other reason the balance in the Bond Fund is insufficient to pay principal and interest on the Series 2006 Bonds then due, whether by maturity, redemption, or acceleration, the Academy shall forthwith pay the amount of any such deficiency to the Trustee.

Section 402. Obligations Unconditional. The Academy's obligations to the Authority under the Municipal Obligation and this Agreement are an absolute and unconditional general obligation of the Academy and shall remain in full force and effect until the amounts owed hereunder shall have been paid by the Academy to the Authority under the Municipal Obligation and this Agreement, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following:

(a) Any failure of title with respect to the Academy's interest in the Site or the Project or the invalidity, unenforceability or termination of this Agreement;

(b) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Agreement;

(c) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Academy, or any of its assets or any allocation or contest of the validity of this Agreement, or the disaffirmance of this Agreement in any such proceedings;

(d) To the extent permitted by law, any event or action which would, in the absence of this clause, result in release or discharge by operation of law of the Academy, from the performance or observation of any obligation, covenant or agreement contained in this Agreement;

(e) The default or failure of the Academy fully to perform any of its obligations set forth in this Agreement or any other agreement; or

(f) Any casualty or destruction of the Site or the Project.

The Authority shall have no liability for the performance of any obligations to the Academy except as expressly set forth in this Agreement.

Section 403. Payment Provisions. In addition to Bond Payment obligations under the Municipal Obligation, which shall be calculated and paid as described below, the Academy agrees to pay to the Authority Additional Payments hereunder, which are (a) initially scheduled to be payable as set forth in Exhibit B hereto on the Payment Dates set forth in Section 405 below, and may be adjusted as set forth in Section 405 below, (b) Redemption Account Payments hereunder on each January 15 and July 15, and (c) any amounts which may be required to be paid hereunder or under the indenture including but not limited to replenishment of the Reserve Fund.

Bond Payments may only be prepaid by the Academy with the prior written approval of the Authority. The Authority may require the Academy to pay a prepayment premium as a condition of prepayment.

In the event of a default in the payment of the Bond Payments or Additional Payments when due, the amount of such default shall bear interest (the "additional interest") at a rate equal to the rate of interest which is two percent above the Authority's cost of providing funds (as determined by the Authority) to make payments on the Series 2006 Bonds of the Authority but in no event in excess of the maximum rate of interest permitted by law. The additional interest shall continue to accrue until the Authority has been fully reimbursed for all costs incurred by the Authority (as determined by the Authority) as a consequence of the Academy's default. Such additional interest shall be payable on the Payment Date following demand of the Authority.

It is expressly agreed between the Academy and the Authority by acceptance of the assignment made by this Agreement, that the Academy shall make all payments due hereunder at the designated trust office of the Trustee. The Academy further agrees that it will deposit with the Trustee all payments due hereunder in immediately available funds. The Academy covenants and agrees that its obligations to make payments hereunder are obligations incurred with the Authority under the State School Aid Act, 1979 PA 94, as amended ("School Aid Act") and may be enforced by the Authority and the Trustee on behalf of the Authority as set forth in the State Aid Agreement.

Section 404. Payment General Obligation**.** The obligation of the Academy to pay Bond Payments, Additional Payments and all other payments hereunder is a general obligation of the Academy. The Academy shall and hereby agrees to include in its budget (either of the general fund or of a capital fund) and pay each year, until this Agreement is paid in full, such sum or sums as may be necessary each year to make payments of the Bond Payments, Additional Payments and all other payments hereunder and additional interest payments, when due. The Bond Payment obligations of the Academy hereunder and under the Municipal Obligation shall be deemed to be obligations of the Academy incurred in accordance with Section 504a(g) and Section 1351a of the Revised School Code of 1976, as amended.

Section 405. State School Aid Pledge and Payment. The Academy pledges to pay its Bond Payments and Additional Payments and all other amounts required by the Municipal Obligation and hereby or hereunder from its State School Aid to be allocated to it and payable to its Authorizing Body (the "Pledged State Aid"). Unless otherwise agreed to in writing by the Authority, an amount of each installment of State School Aid (such monies to be used to pay the Bond Payments and Additional Payments when due) as set forth on Exhibit B, which amount is approximately equal to 1/11 of the annual principal payments scheduled on the Series 2006 Bonds (the Scheduled Principal Component and the Set-Aside Component relating to principal) plus 1/11 (adjusted in the initial fiscal year to reflect interest accruing from the Closing Date) of the annual interest obligation (the Scheduled Interest Component and the Set-Aside Component relating to interest) plus 1/11 of the annual fees (the Scheduled Fee Payment Component) shall, pursuant to the agreement of the Authorizing Body, be transmitted directly by the State Treasurer to the Trustee commencing on or before October 20, 2006 and thereafter on or before the 20th of each December, January, February, March, April, May, June, July, August, October and

November (each a "Payment Date"); provided however that if (i) applicable law changes to provide for a schedule of school aid payments materially different from that now in effect, (ii) through special sinking fund redemption, the amortization of the Bonds is modified, or (iii) the Academy with the prior written consent of the Authority and all of the holders of the Series 2006 Bonds and receipt of a Favorable Opinion of Bond Counsel as to the adjusted schedule of optional redemption of the Bonds, may agree to a different schedule of optional redemption of the Bonds, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Authorizing Body may designate different payment dates or amounts to provide for timely receipt of Bond Payments and Additional Payments consistent with such changes which shall thereupon be and become the "Payment Dates" hereunder. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Bond Payment shall be due on the next previous business day. The Bond Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment. If, for any reason, the State School Aid allocated to the Academy during the month of the payment is insufficient to pay the Bond Payment and Additional Payment, if any, then in that event the Academy pledges to use any and all other available funds to meet the Bond Payment obligation and Additional Payment obligation, if any. If on any due date for any Bond Payment or Additional Payment the funds with the Trustee are insufficient to pay the Bond Payment and Additional Payment, if any, then the Academy, pursuant to Section 17a(3) of the School Aid Act to the extent necessary to meet the payment obligation assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any payment which is dedicated for distribution or for which the appropriation authorizing payment has been made under the School Aid Act; and in such event pursuant to Section 17a(3) of the School Aid Act, the Authority is authorized, pursuant to the agreement of the Authorizing Body, to intercept and/or seek an advancement of 97% of the Pledged State Aid to be allocated or distributed to the Authorizing Body with respect to the Academy. The Trustee, on behalf of the Authority, shall immediately notify (or cause notice to be given to) the Academy and the Authorizing Body that it will immediately commence to intercept and/or receive an advancement of the Pledged State Aid and beginning immediately the Authority shall intercept 97% of the Pledged State Aid to be distributed to the Authorizing Body with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Bond Payments hereunder in any fiscal year of the State shall not exceed 20% of the amount of School Aid payable to the Academy by the State in such fiscal year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (i) the amount required to pay the Bond Payment and Additional Payment, if any, when due shall be held by the Trustee for such purpose, (ii) any other amounts owing to the Authority under this Agreement, (iii) an amount equal to the Scheduled Fee Payment Component shall be retained by the Trustee as provided under the Indenture and (iv) to the extent in excess of the amount required under (i) through (iii) above, any amounts remaining to be immediately distributed to or at the direction of the Academy. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Bond Payments and Additional Payments. Section 17a(3) of the School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and shall not be construed as creating an indebtedness of the State.

The pledge of State School Aid pursuant to this section is subject to the reservation by the Academy of the right to make additional pledges of State School Aid to secure other obligations as provided in Section 707 hereof and provided that the amount of State School Aid received by the Academy in the fiscal year of the State preceding the incurrence of such additional obligations equals or exceeds the amount required in each year to pay the sum of an amount equal to the Bond Payments and Additional Payments due and the principal and interest and other payments due under such additional obligations for which State School Aid has been pledged.

Section 406. Mandatory and Optional Prepayments. Subject to the Authority's right to optionally redeem Series 2006 Bonds, the Academy may prepay its obligations under the Municipal Obligation and hereunder in whole or in part in Authorized Denominations. The Academy may direct the redemption of the corresponding amount of Bonds then outstanding on such dates and pursuant to the provisions and limitations, and upon payment of any required premium, set forth in Section 2.11(a) of the Indenture.

The Academy shall prepay its obligations hereunder at such times in order to enable the Trustee to redeem all or a portion of the Bonds as required in Section 2.11 of the Indenture.

If the Academy repays or prepays Bond Payments and other amounts owing to the Trustee under this Agreement and the Indenture in such a manner so as to permit the Security to be released from the lien of the Indenture in accordance with Article VI of the Indenture, then the loan shall be deemed fully repaid, and this Agreement shall be canceled on the date on which the Security is so released. To confirm such cancellation, the Academy may require the Trustee to execute any further reasonable evidence of cancellation on the date the Security is so released.

In the event of any optional prepayment on or before the date set for redemption of the Bonds to be redeemed in connection therewith, the Academy shall deposit with the Trustee, an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and the Academy shall deposit with the Trustee sufficient moneys to pay all fees, costs, and expenses of the Issuer and the Trustee specified in Section 407, Section 502, Section 503 and Section 903 hereof accruing through the date set for redemption of the Bonds.

Section 407. Fee Payments. To the extent they are not paid out of the Project Fund to the Authority, the Academy shall pay to the Authority within ten (10) days of demand therefor: (a) all Costs of Issuance and other out-of-pocket costs and expenses of the Authority incidental to the performance of its obligations under this Agreement, the Indenture and the Bond Purchase Agreement, and (b) the out-of-pocket expenses of the Authority incurred by the Authority in enforcing the provisions of this Agreement or the Indenture.

In addition to the aforesaid payments to the Issuer, (a) a one time issuance fee of one half of one percent (1/2 of 1%) of the principal amount of the Series 2006 Bonds prior to or contemporaneously with execution of this Agreement, and (b) on or before September 1 in each year an amount sufficient to assure payment in full of the Academy's allocable share (as determined by the Authority) of the annual general operating expenses of the Authority, but such allocable share shall not exceed one eighth of one percent (1/8 of 1%) of the average principal

amount of the Series 2006 Bonds outstanding under the Indenture during the preceding calendar year.

Section 408. Security Interest in the Project Fund. To better secure its obligations hereunder, including the obligation to pay Bond Payments and Additional Payments, as and when they are due, the Academy hereby grants a security interest in the moneys at any time held in the Project Fund, and any proceeds thereof, to the Issuer to be perfected by possession of such moneys in the Project Fund by the Trustee and held therein for the benefit of the Bondholders as provided in the Indenture.

Section 409. Assignment by Authority. The Academy hereby consents to any assignments now or hereafter made by the Authority of the Authority's rights under this Agreement (except the Unassigned Rights) and acknowledge that no further action or consent by the Academy is necessary to effectuate such an assignment.

Section 410. Authorized Academy Representative. The Academy hereby authorizes and directs the Authorized Academy Representative to act in the capacity of Authorized Academy Representative under the Indenture and hereunder.

Section 411. The Municipal Obligation and Obligations of the Academy Unconditional. The obligation of the Academy to pay the Bond Payments and Additional Payments and all other amounts required by the Municipal Obligations and this Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2006 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy (i) shall not suspend or discontinue any Bond Payments or Additional Payments, (ii) shall perform and observe all of its other obligations contained in the Municipal Obligation and this Agreement and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Site or the Project, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with the Agreement. It is the intent and expectation of the parties hereto that the Bond Payments will be sufficient for the payment in full of the Series 2006 Bonds, including (i) the total interest to become due and payable on the Series 2006 Bonds to the dates of payment thereof, (ii) the total principal amount of the Series 2006 Bonds, (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2006 Bonds prior to their stated payments dates, and (iv) all additional interest, additional principal and any other amounts payable to the Bondholder as and when required by the Series 2006 Bonds or this Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Bondholder or the Authority it shall then immediately pay the amount of the deficiency to the Bondholder on behalf of the Authority. The obligations of the Academy under this paragraph shall survive the termination of this Agreement.

ARTICLE V

OTHER OBLIGATIONS OF THE ACADEMY

Section 501. Costs of Issuance. The Academy covenants and agrees to promptly pay the Costs of Issuance upon notification by the Authority.

Section 502. Indemnification of the Authority. (a) The Authority and its members, officers, agents and employees (the "Indemnified Persons") shall not be liable to the Academy for any reason. The Academy shall, to the extent permitted by law, indemnify and hold the Authority and the Indemnified Persons harmless from any loss, expense (including reasonable counsel fees) or liability of any nature due to any and all suits, actions, legal or administrative proceedings, or claims arising or resulting from, or in any way connected with (i) the financing, construction, operation, use or maintenance of the Site or Project, (ii) any act, failure to act or misrepresentation by any person, firm, corporation or governmental agency, including the Authority, in connection with the issuance, sale, delivery or remarketing of any of the Series 2006 Bonds, (iii) any act or failure to act by the Authority in connection with this Agreement or any other document involving the Authority in this matter, and (iv) the selection and appointment of firms or individuals providing services related to the Bond transactions. If any suit, action or proceeding is brought against the Authority or any Indemnified Person, that suit, action or proceeding shall be defended by counsel to the Authority or the Academy, as the Authority shall determine. If the defense is by counsel to the Authority, which is the Attorney General of Michigan or may, in some instances, be private, retained counsel, the Academy shall indemnify the Authority and Indemnified Persons for the reasonable costs of that defense, including reasonable counsel fees. If the Authority determines that the Academy shall defend the Authority or Indemnified Persons, the Academy, as determined by the Authority, shall immediately assume that defense at its own cost. The Academy shall not be liable for any settlement of any proceedings made without its consent (which consent shall not be unreasonably withheld).

(b) The Academy shall not be required to indemnify the Authority or any Indemnified Person under subsection (a), if a court with competent jurisdiction finds that the liability in question was caused by the willful misconduct or sole gross negligence of the Authority or the involved Indemnified Person, unless the court determines that, despite the adjudication of liability but in view of all circumstances of the case, the Authority or the Indemnified Person(s) is (are) fairly and reasonably entitled to indemnity for the expenses which the court considers proper.

(c) The Academy shall, to the extent permitted by law, also indemnify the Authority for all reasonable costs and expenses, including reasonable counsel fees, incurred in (i) enforcing any obligation of the Academy under this Agreement or any related agreement, (ii) taking any action requested by the Academy, (iii) taking any action required by this Agreement or any related agreement, or (iv) taking any action considered necessary by the Authority which is authorized by this Agreement or any related agreement.

(d) The obligations of the Academy under this section shall survive any assignment or termination of this Agreement.

Section 503. Indemnification of the Trustee. The Academy shall, to the extent permitted by law, indemnify and hold the Trustee harmless against any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the Indenture, including the costs and expense of defense against any such claim of liability. In the event of the occurrence of any claim indemnified against under this paragraph, the Trustee shall promptly notify the Academy of the existence of the claim and shall give the Academy such assistance and cooperation in the defense thereof as may be reasonably requested. The Academy shall defend any such claim through legal counsel of its choice, and the Academy shall have exclusive authority to defend, settle or otherwise dispose of such claim as it deems advisable in the exercise of its sole discretion. The obligations of the Academy under this Section shall survive any assignment or termination of this Agreement and the resignation or removal of the Trustee.

Section 504. Taxes and Other Costs. The Academy shall promptly pay, as the same becomes due, all lawful taxes and governmental charges of any kind whatsoever, including without limitation income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Site and the Project, the Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Site and the Project.

Section 505. Authority and Trustee Right to Perform Academy Obligations. In the event the Academy shall fail to perform any of its obligations under the Agreement, the Authority and the Trustee may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Authority or the Trustee shall become an additional obligation of the Academy to the Authority or the Trustee, secured under the Indenture, payable on demand with interest thereon at 2% per annum in excess of the average rate per annum borne by the Series 2006 Bonds from the date of advancement until payment, but in no event in excess of the maximum rate permitted by law.

Section 506. Audit Obligation. The Academy shall have an independent audit, using generally accepted accounting principles generally used for public school accounting in the State of Michigan, of its bonding activities under these sections conducted within 120 days after completion of all projects financed by the proceeds of this Agreement and shall submit the audit report to the Michigan Department of Treasury and the Authority.

ARTICLE VI

CONSTRUCTION AND ACQUISITION OF PROJECT

Section 601. Project Fund Disbursements. Subject to the conditions set forth below, unless an Event of Default has occurred and is continuing, the Trustee shall disburse out of the Project Fund the lesser of (a) the Project Costs paid or incurred or (b) the Series 2006 Bond proceeds deposited in the Project Fund and investment income in the Project Fund. Such disbursements shall be used to pay the Project Costs so long as there are moneys in the Project Fund, upon presentation of a Requisition Certificate executed by the Academy in the form shown on Exhibit D attached hereto or in a form approved by the Authorized Officer of the Trustee and the Authority.

Each Requisition Certificate shall be accompanied by copies of invoices or other appropriate documentation satisfactory to the Trustee, supporting the payments or reimbursements requested and by a brief description of the portion of the Project financed, acquired, constructed or improved; provided that the Trustee shall have no duty or obligation to review such invoices and may conclusively rely on such requisitions.

Section 602. Obligation of the Academy to Complete the Project and to Pay Costs in Event Project Fund Insufficient. The Academy shall proceed diligently to complete the Project substantially in accordance with the descriptions which have been provided to the Authority. If requested, the Academy shall make available to the Issuer and the Trustee such information concerning the Project as any of them may reasonably request. The Academy may revise the plans and specifications for the Project, provided, however, that the Project shall not be materially altered in scope, character, value or operation without the prior written consent of the Trustee and the holders of 100% of the Series 2006 Bonds, and provided, further, that the expenditure of moneys for the Project as modified is permitted by the Enabling Legislation and will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

In the event the money in the Project Fund available for payment of the costs of the Project shall not be sufficient to make such payment in full, the Academy agrees to pay directly, or to deposit moneys in the Project Fund for the payment of, such costs of completing the Project as may be in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty or representation, either expressed or implied, that the moneys which will be deposited into the Project Fund, and which under the provisions of this Agreement will be available for payment of the costs of the Project, will be sufficient to pay all of the costs which will be incurred in connection therewith. The Academy agrees that if, after exhaustion of the moneys in the Project Fund, the Academy shall pay, or deposit moneys in the Project Fund for payment of, any portion of the costs of the Project pursuant to the provisions of this Section 602, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or from the owners of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable hereunder.

Section 603. Recovery Under Breach of Warranty. All warranties shall vest in the Academy and in the event of default or breach of warranty by any contractor in connection with the Site or the Project or with respect to any materials, workmanship or performance or other guaranty, the Academy may, after notification of the Authority, proceed, either separately or in conjunction with others, to pursue such remedies against the party in default and against each surety as it may deem advisable. Any amounts recovered in connection with the foregoing after Project Costs have been paid or duly provided for shall be paid to the Academy.

Section 604. Completion Certificate. The Completion Date of the acquisition, construction and installation of the Project and the payment of the entire Project Costs shall be evidenced to the Trustee and the Authority by the Completion Certificate.

Section 605. Use of Surplus Funds. As soon as practicable and in any event within 60 days from the date of delivery of the Completion Certificate, the Academy shall direct the Trustee to transfer any balance remaining in the Project Fund (i.e. “Surplus Bond Proceeds”) to the Bond Fund, for use in accordance with the Indenture. Notwithstanding the foregoing, proceeds of the Series 2006 Bonds may be retained in the Project Fund longer than three (3) years after the Issue Date provided the Academy delivers a Favorable Opinion of Bond Counsel to the Trustee with respect to the retention and investment of such proceeds of the Series 2006 Bonds in the Project Fund.

Section 606. Application of Insurance and Condemnation. In the event (i) the Site or the Project is damaged or destroyed, or (ii) failure of title to all or part of the Site or the Project occurs or title to or temporary use of the Site or the Project is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Project or to prepay this Agreement. The Academy may only restore all or part of the Project if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Series 2006 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Project, the Trustee shall deposit the proceeds of such condemnation or insurance in the Project Fund, which shall be reactivated and drawn down in the same manner as provided for the Project Fund in Section 601. If the Academy shall elect to restore the Site and the Project, it shall proceed to do so with reasonable dispatch. If the Site and the Project shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Site and the Project may not be reasonably restored within a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee) to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee), or if the cost of restoring the Site and the Project is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Site and the Project, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2006 Bonds.

Section 607. Mortgage and Title Insurance. At or prior to the Closing Date, the Academy shall cause to be executed and delivered and cause to be recorded the Mortgage (as defined in the Indenture) securing performance by the Academy of its obligations under this Agreement and the payment of the Bond Payments and Additional payments by the Academy. The Mortgage shall grant to the Trustee a first mortgage lien on all real property comprising the Project.

At or prior to the Closing Date, the Academy shall cause to be delivered to the Trustee a policy of mortgage title insurance on the Site, insuring the first priority lien of the Mortgage, subject only to Permitted Encumbrances. The title policy shall provide for title insurance in an amount equal to the full principal amount of the Series 2006 Bonds, provided, however, that the effective amount of the title policy as of the Closing Date may be limited to the amount disbursed from the Project Fund as of such date provided that further Project Fund disbursements and accompanied by an endorsement to such title policy increasing coverage by the amount of the disbursement.

ARTICLE VII

FURTHER OBLIGATIONS OF THE ACADEMY

Section 701. Compliance With Laws. The Academy agrees that it shall, throughout the term of the Agreement and at no expense to the Authority, promptly comply or cause compliance with all legal requirements of duly constituted public authorities which may be applicable to the Site or the Project or to the repair and alteration thereof, or to the use or manner of use of the Site or the Project.

Section 702. Maintenance of Legal Existence Qualification. During the term of the Agreement, and except as otherwise provided by Section 706 hereof, the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Section 703. Reports and Access to Projects and Records. The Academy covenants that promptly, but not later than one hundred twenty (120) days after the close of each fiscal year, it will file with the Authority and the Trustee (and upon written request with the original Underwriter for the Series 2006 Bonds), in such quantity as the Authority may require, its audited financial statement for such fiscal year reflecting in reasonable detail the financial position and results of operation of the Academy, together with the audit report by a certified public accountant or firm of independent certified public accountants of suitable experience and responsibility. The Trustee may rely on the financial statements and certificates delivered to it and shall have no duty to analyze those documents or perform independent calculations.

The Academy further covenants and agrees that it will promptly file with the Authority a copy of all documentation, materials and notices filed by or on behalf of the Academy pursuant

to or in connection with any continuing disclosure undertaking relating to the Series 2006 Bonds or other debt incurred by or for the benefit of the Academy.

The Academy further covenants and agrees that it has, with the permission of any applicable third parties, placed on file with the Trustee a current property survey of the Site and the Project, together with a Phase I Environmental Site Assessment Update performed by Environmental Resources Management, Inc. of Holland, Michigan (the "Phase I Update").

Subject to reasonable security and safety regulations, the Authority and the Trustee and the respective duly authorized agents of each shall have the right at all reasonable times to enter the Site and the Project and to examine and inspect the same.

Section 704. Covenant as to Non-Impairment of Tax-Exempt Status. Notwithstanding any other provision of any rights of the Academy under the Agreement, the Academy hereby covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2006 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2006 Bond proceeds and moneys deemed to be Series 2006 Bond proceeds, all as more fully set forth in the Non-Arbitrage Certificate.

Section 705. Covenant Regarding Bond Purchases. The Academy covenants that neither it nor any related person will purchase Series 2006 Bonds in an amount related to the amount of proceeds of such Bonds.

Section 706. Academy to Maintain Existence. The Academy covenants and agrees that for so long any Series 2006 Bond remains outstanding under the Indenture, it shall maintain its existence as a Public School Academy under Michigan law and shall continue to operate its facilities located at the Site as a public school which will produce sufficient available revenues to pay the Bond Payments and all other amounts due and owing under this Agreement. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Site upon (a) prepayment in full of the Bond Payments, Additional Payments and any prepayment premium required by the Authority as determined in the sole discretion of the Authority and (b) filing an opinion of Bond Counsel that such prepayment and release will not adversely affect the exclusion of interest on the Series 2006 Bonds from gross income for federal income tax purposes.

Section 707. Other Obligations. The Academy covenants and agrees that, without the prior written consent of the Trustee, at the direction of the holders of 51% of the outstanding Series 2006 Bonds, it will not incur indebtedness for borrowed money, guarantee the obligations of others or incur pecuniary obligations, except the following:

(a) obligations incurred in the ordinary course of business;

(b) state aid notes (including state aid note lines of credit) issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended; and

(c) other indebtedness incurred or guaranteed by the Academy in accordance with applicable law related to capital acquisitions provided that the aggregate maximum annual debt service on such indebtedness, in any fiscal year, together with the applicable Scheduled Installment Payment hereunder for such year, shall not exceed 20% of the amount of State School Aid payable to the Academy by the State in such fiscal year. *For purposes of computing future projections of State School Aid, the amount of State School Aid paid to the Academy for the Academy's most recently completed fiscal year shall be used.*

(d) Notwithstanding the foregoing, the Academy covenants and agrees that the amount of State School Aid to be received by the Academy shall be at least the total of the Bond Payments, Additional Payments and all payments on such other Obligations to which State School Aid has been pledged due in such fiscal year.

Section 708. Transfer, Assignment and Leasing. The Academy may not transfer or sell the Project without the prior written consent of the Issuer and 100% of the Beneficial Owners of the Series 2006 Bonds and any Additional Bonds. The Academy may lease any portion of the Project with the prior written consent of the Trustee and the holders of 100% of the Series 2006 Bonds provided that the Academy delivers to the Issuer and the Trustee in connection with any such leasing a Favorable Opinion of Bond Counsel with respect to such lease. No leasing shall relieve the Academy from primary liability for any of its obligations hereunder, and in the event of any such leasing the Academy shall continue to remain primarily liable for the payment of Bond Payments and for performance and observance of the other agreements herein on its part to be performed and observed.

(a) Approval by the Authority, in its sole discretion, of such sale or conveyance;

(b) The Academy shall, on or prior to the effective date of such sale or assignment, furnish or cause to be furnished to the Issuer and the Trustee (i) an executed assumption agreement whereby the new owner agrees in writing to assume the obligations of the Academy under this Agreement and the Bond Documents to which the Academy is a party, together with the Trustee's written consent thereto or the written consent of the holders of 100% of the Series 2006 Bonds, and (ii) a Favorable Opinion of Bond Counsel with respect to such assignment or sale agreement; and

(c) The new owner shall submit evidence to the Trustee that it is qualified to do business as a public school academy in the State of Michigan.

Section 709. Substitution and Removal of Personal Property. Any property financed or refinanced with Bond proceeds may not be removed from any Project site unless (i) other property of equivalent or greater value and utility is substituted therefor within six months of such disposition or (ii) the proceeds of the sale of such property are used in accordance with the following sentence or (iii) the Academy receives an opinion of Bond Counsel that noncompliance with (i) or (ii) above will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proceeds received upon the sale of any of the property financed or refinanced with the proceeds of the Bonds (i) will be invested

at a yield not in excess of the yield on the Bonds and used for the purpose of redeeming the Bonds at the first subsequent call date, or (ii) will be used for the purpose of acquiring property performing the same function at such Project site as the disposed property within six months of the date of receipt of such proceeds. Notwithstanding the foregoing, if any property financed or refinanced with the proceeds of the Bonds wears out or becomes obsolete so that it is no longer functional to the Academy and the Academy deems it appropriate to dispose of such property and, further, if the Academy or any related party thereto receives no economic benefit from the disposal thereof, then the Academy may dispose of such property other than as provided above.

Section 710. Maintenance, Repair and Modification. The Academy shall cause the Project to be used for the purposes described in this Agreement throughout the term of this Agreement. The Academy does not know of any reason why the Project will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Project for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Bond Payments and the Additional Payments under the provisions of this Agreement.

The Academy agrees that it will keep the Project in good repair and good operating condition, ordinary wear and tear excepted, at its own cost.

The Academy may remodel the Project or make additions, modifications and improvements to the Project from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements (i) do not materially and adversely alter the scope, character, value or operation of the Project without the prior written consent of the Trustee or 100% of the holders of the Series 2006 Bonds, (ii) do not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and (iii) do not contravene the provisions of the Enabling Legislation.

ARTICLE VIII

ACTIONS AFFECTING AUTHORITY; INTEREST IN THE AGREEMENT

Section 801. Interest in the Agreement. The Academy shall not assign or transfer its rights or obligations under this Agreement, except as shall be permitted in this Agreement or consented to by the Authority and the Trustee.

Section 802. Authority Assignment of the Agreement. The Academy hereby acknowledges and consents to the assignment and pledge pursuant to the Indenture by the Authority to the Trustee, as additional security for the Series 2006 Bonds, of the Municipal Obligation and this Agreement and all of the Authority's rights and powers under this Agreement, (except the Unassigned Rights) including the right to receive Bond Payments and Additional Payments.

Section 803. Rights of Trustee Hereunder. The terms of the Agreement and the enforcement thereof are essential to the security of the Trustee and are entered into for the benefit of the Trustee. The Trustee shall accordingly have contractual rights and duties in the Agreement and be entitled to enforce separately or jointly with the Authority the terms of the Agreement.

Section 804. Authority Compliance With Indenture. The Authority shall comply with the covenants, requirements and provisions of the Indenture and perform all of its obligations thereunder.

Section 805. Supplements to Indenture. The Authority shall consent to no supplements to the Indenture which have a material effect on the rights or obligations of the Academy or the Trustee without the prior written consent of the Academy and the Trustee, respectively.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 901. Events of Default. The term "Events of Default" shall mean, whenever used in the Agreement, any one or more of the following events:

(a) Failure by the Academy to make a Bond Payment under the Municipal Obligation when due;

(b) Failure by the Academy to make an Additional Payment hereunder when due;

(c) Failure by the Academy to observe and perform any other obligations in this Agreement, or in any other related or collateral documents on its part to be observed or performed for a period of forty-five days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable without material adverse effect on the Series 2006 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected.

(d) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under this Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 60 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 60 days; or an order for relief is entered in any bankruptcy proceeding.

(e) If any representation or warranty made by the Academy in any document delivered by the Academy to the purchaser(s) of the Series 2006 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2006 Bonds is untrue in any material respect.

(f) If the Academy shall default under any other agreement for payment of money in excess of $25,000 and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under this Agreement except as shall be permitted under this Agreement, provided, however, that the Academy shall not be in default under this section, if it is contesting in good faith any default under any such other agreement for the payment of money and, with respect to construction liens, has bonded over such lien to the satisfaction of the Trustee, unless in the estimation of the Trustee the security of the Trustee under this Agreement is materially endangered.

(g) The occurrence of an Event of Default under the Indenture.

(h) The loss of its charter or the failure of the Academy to have its charter renewed, unless a charter from another authorizing body is received on or before the effective date of revocation or nonrenewal and a state aid agreement in form and content the same as the agreement executed in connection herewith is executed by such new authorizing body on or before the effective date of revocation or nonrenewal.

The term "Default" shall mean Default by the Academy in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Agreement, exclusive of any period of grace required to constitute an Event.

The Defaults described in subsection (c) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (c), the Academy shall not be deemed to be in breach or violation of this Agreement or in default during the continuance of such inability. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Project; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Section 902. Remedies Upon an Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under the Agreement (i.e., Bond Payments, Additional Payments and all other payments required by this Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Project, the Site or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in this Agreement; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected pursuant to ARTICLE IV for the benefit of the Authority which shall be paid to or retained by the Authority.

Section 903. Payment of Attorneys' Fees and Other Expenses. In the event the Academy should default under any of the provisions of this Agreement and the Authority and/or the Trustee should employ attorneys or incur other expenses for the collection of the Bond Payments, and Additional Payments, for the enforcement of performance or observance of any obligation of the Academy in the Agreement or of the foreclosure of any security interests granted in this Agreement, the Academy shall on demand therefor pay to the Authority and/or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 904. Limitation on Waivers. No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed appropriate. In order to entitle the Authority or the Trustee to exercise

any remedy under this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder nor a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Authority's rights and interest in this Agreement to the Trustee, the Authority shall have no power to waive or release the Academy from any Event of Default or the performance or observance of any obligation or condition of the Academy under this Agreement without prior written consent of the Trustee, but shall do so if requested by the Trustee, provided that prior to such waiver or release by the Authority, the Authority shall have been provided with an opinion of bond counsel of nationally recognized standing that such action will not result in any pecuniary liability to it and the Authority shall have been provided such indemnification from the Trustee as the Authority shall deem necessary.

ARTICLE X

MISCELLANEOUS

Section 1001. Amounts Remaining in Funds. Any amounts remaining in the Bond Fund or the Project Fund upon expiration or sooner termination of this Agreement after payment in full of the Series 2006 Bonds (or provision therefor) in accordance with the Indenture, and all other costs and expenses of the Authority and the Trustee specified under this Agreement, and all the amounts required to be paid by the Academy under this Agreement and the Indenture shall have been fully paid, shall be applied as provided in the Indenture.

Section 1002. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, return receipt requested, addressed to the Authority, the Academy or the Trustee, as the case may be, at the Authority's Address, the Academy's Address, or the Trustee's Address, respectively, or hand delivered to the above at their respective addresses. A duplicate copy of each such notice, certificate or other communication given hereunder to the Authority or the Trustee shall also be given to the others.

The Authority, the Academy, and the Trustee may by notice given hereunder designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

Section 1003. Amendment. The Agreement may not be amended or terminated without the prior written consent of the Trustee and the Authority and no amendment to the Agreement shall be binding upon either party hereto until such amendment is reduced to writing and executed by both parties hereto. Amendments to this Agreement are subject to the provisions of Sections 9.03 and 9.04 of the Indenture.

Section 1004. Entire Agreement. The Agreement contains all agreements between the parties and there are no other representations, warranties, promises, agreements or understandings, oral, written or inferred, between the parties, unless reference is made thereto in the Agreement and the Indenture.

Section 1005. Binding Effect. The Agreement shall be binding upon the parties hereto and upon their respective successors and assigns, and the words "Authority," "Academy" and "Trustee" shall include the parties hereto and their respective successors and assigns and include any gender and singular and plural, any individuals, partnerships or corporations.

Section 1006. Severability. If any clause, provision or section of the Agreement be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections.

Section 1007. Execution in Counterparts. The Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1008. Captions. The captions or headings in the Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of the Agreement.

Section 1009. Applicable Law. The Agreement shall be governed in all respects, whether as to validity, construction, performance or otherwise, by the laws of the State of Michigan.

Section 1010. Non-Liability of State. The Agreement shall not be construed to create any liability or indebtedness of the State of Michigan, or of any officer thereof.

Section 1011. Non-Liability of Authorizing Body. The Authority and the Trustee, on behalf of the Bondholder, each understands and agrees that the authorizing body, Grand Valley State University, has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Authorizing Body, including the administrative fee deducted by the Authorizing Body from the state school aid payments received by the Authorizing Body for the Academy.

Section 1012. The Indenture. The Academy agrees to be bound by the terms of the Indenture applicable to it, and agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY

By:________________________________
Thomas J. Letavis
Executive Director

BLACK RIVER PUBLIC SCHOOL

By:________________________________

Its:________________________________

EXHIBIT A
TO
FINANCING AGREEMENT

EXISTING INDEBTEDNESS TO BE DISCHARGED

See attached.

EXHIBIT B
TO
FINANCING AGREEMENT

BOND PAYMENTS

See attached.

Schedule of Intercept Amounts Assigned

Pursuant to the Financing Agreement (Direct Payments)

Date	Principal Component and Portion of Set-Aside Component Allocated to Principal	Interest Component and Portion of Set-Aside Component Allocated to Interest	Scheduled Fee Payments	Total

See attached.

**EXHIBIT C
TO
FINANCING AGREEMENT**

PROJECT DESCRIPTION

The Project consists of (i) the construction, furnishing and equipping an approximately 20,000 square foot building to house a gymnasium, cafeteria and music program facilities and (ii) the renovation and equipping of the Academy's current school facilities located at 491 Columbia Avenue, Holland, Michigan 49423.

EXHIBIT D
TO
FINANCING AGREEMENT

REQUISITION CERTIFICATE

TO: Wells Fargo Bank, N.A., Trustee, and
Michigan Public Educational Facilities Authority

FROM: Black River Public School (the "Academy")

RE: $__________ Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006

This represents Requisition Certificate No. __ in the total amount of $____________ to pay those costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent proper charges against the Project Fund for the above-named Series 2006 Bonds, have not been included in a previous requisition and have been properly recorded on the Academy's books.

2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Academy for its funds actually advanced for the costs of the Project.

3. After payment of moneys hereby requested, there will remain in the Project Fund or otherwise available to the Academy sufficient funds available to complete the Project.

4. Contemporaneously herewith, the Academy is submitting to the Trustee (i) a marked-up mortgage title insurance commitment from a title insurance company satisfactory to the Trustee, naming the Trustee as lender, without standard exceptions, in the amount of the Series 2006 Bonds Project Fund disbursements to date, insuring the Mortgage as a first lien in all respects, subject only to Permitted Encumbrances (as defined therein), together with copies of all necessary sworn statements and lien waivers required by the title company, and (ii) evidence of payment of fees relating thereto.

Executed this ____ day of _____________, ________.

BLACK RIVER PUBLIC SCHOOL

By: ____
Authorized Academy Representative

EXHIBIT E
TO
FINANCING AGREEMENT

COMPLETION CERTIFICATE

TO: Wells Fargo Bank, N.A., Trustee, and
Michigan Public Educational Facilities Authority

FROM: Black River Public School (the "Academy")

RE: $__________ Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006

The undersigned does hereby certify:

1. The construction, installation, equipping and furnishing of the Project have been completed in accordance with the descriptions submitted to the Authority and in such manner as to conform with all requirements of the Agreement, as of the date of this Certificate (the "Completion Date"). The facilities comprising the Project are substantially completed and all approvals and certificates necessary to the occupancy and use of such facilities as a public school academy have been received in writing and all conditions appertaining thereto have been met.

2. The Project costs have been paid in full except those not yet due and payable, or which are being contested, which are described below and for which sufficient moneys for payment thereof are being held in the Project Fund:

(a) Cost of the Project not yet due and payable:

Description		Amount
		$__________
		$__________
	TOTAL	$__________

(b) Payments being contested:

Description		Amount
		$__________
		$__________
	TOTAL	$__________

3. The moneys in the Project Fund in excess of the totals set forth in 2(a) and (b) above represent Surplus Bond Proceeds and the Trustee is hereby authorized and directed to transfer such moneys to the Bond Fund in accordance with Section 605 of the Agreement.

4. No event of default has occurred under the Agreement, nor has any event occurred which, with the giving of notice or lapse of time or both, shall become an event of default. Nothing has occurred to the knowledge of the Academy that would prevent the performance of its obligations under the Agreement.

This certificate is given without prejudice to any rights against third parties which exist at the date hereof or which may subsequently come into being.

Executed this ____ day of ___________, ______.

BLACK RIVER PUBLIC SCHOOL

By: ______________________________________
Authorized Academy Representative

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EXHIBIT E

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

July __, 2006

Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building
Lansing, Michigan 48922

Re: $___________ Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006

Ladies and Gentlemen:

As Bond Counsel to the Michigan Public Educational Facilities Authority (the "Authority") we submit this opinion with respect to the issuance by the Authority of its Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 (the "Bonds").

The Bonds are authorized to be issued by Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended (the "Enabling Legislation"), by a bond resolution adopted by the Authority on June 14, 2006, as amended (the "Resolution"), and by a Trust Indenture, dated as of July 1, 2006 (the "Indenture") by and between the Authority and Wells Fargo Bank, N.A., a national banking association, as trustee (the "Trustee").

The Bonds are being issued pursuant to the Enabling Legislation, the Resolution and the Indenture to provide funding for the purchase of an obligation (the "Municipal Obligation") issued by Black River Public School, a public school academy in the State of Michigan (the "Governmental Unit") pursuant to a Financing Agreement (the "Financing Agreement") between the Authority and the Governmental Unit, as set forth in the Resolution and the Indenture, to fund a debt service reserve fund and to pay a portion of the costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity as set forth in the Resolution and the Bonds.

We have examined the Constitution and statutes of the State of Michigan (the "State"), the Resolution, the Indenture, the Financing Agreement, a specimen of a Bond and such other information, records and documents as we deem necessary, including a non-arbitrage and tax compliance certificate of the Authority, and based on such examination we are of the opinion under existing law that:

1. The Authority is duly created and validly existing as a body corporate with the power to adopt the Resolution and execute the Indenture.

2. The Resolution has been duly adopted by the Authority, the Indenture has been duly executed by the Authority and each constitutes legal, valid and binding actions of the Authority in accordance with its terms.

3. The Bonds are valid and legally binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and accrued interest thereon solely from the security pledged therefor under the Indenture. The Bonds are not a general obligation of the Authority. Neither the State nor any political subdivision of the State is obligated to pay the principal of, premium, if any, or interest on the Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

4. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the Authority and the Governmental Unit comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Authority and the Governmental Unit have covenanted to comply with all such requirements to the extent permitted by law. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

In rendering the foregoing opinion, no opinion is expressed as to the validity or enforceability of the Municipal Obligation, and we have, with your approval, relied upon the opinion of counsel to the Governmental Unit as to those matters.

Enforceability of the Bonds, the Indenture and the Resolution may be subject to the application of general principles of equity including those related to equitable subordination, and to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

DYKEMA GOSSETT PLLC

EXHIBIT F

FORM OF OPINION OF THE ATTORNEY GENERAL

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[FORM OF OPINION OF THE ATTORNEY GENERAL OF THE STATE OF MICHIGAN]

July ____, 2006

Michigan Public Educational Facilities Authority
Richard H. Austin State Building
Lansing, Michigan 48909

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of bonds designated MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY LIMITED OBLIGATION REVENUE AND REFUNDING BONDS (BLACK RIVER PUBLIC SCHOOL PROJECT), SERIES 2006 in the aggregate principal amount of $ _________ (the "Bonds"):

(1) Executive Order 2002-3, the Shared Credit Rating Act, 1985 PA 227, as amended, and the Michigan Strategic Fund Act, 1984 PA 270, as amended, (the "Enabling Legislation") which collectively, created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Authority on June 14, 2006, as amended on July 18, 2006, authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of the trust indenture dated as of July 1, 2006 (the "Indenture"), entered into between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee");

(4) an executed counterpart of the financing agreement dated as of July 1, 2006 (the "Financing Agreement") entered into by the Authority and Black River Public School, a Michigan public school academy (the "Academy");

(5) a Nonarbitrage Certificate of the Authority;

(6) one Bond, as executed, or a specimen thereof; and

(7) one bond issued by the Academy (the "Municipal Obligation").

The Bonds are being issued for the purpose of providing funds which will be used to (i) provide funds to the Academy to acquire, construct, furnish and equip a certain public school facility in the City of Holland, County of Allegan, Michigan; (ii) provide funds to the Academy to make a deposit under an escrow agreement to advance refund the Academy's existing indebtedness; (iii) fund a debt service reserve fund; and (iv) provide funds to pay certain costs relating to the issuance of the Bonds, the Municipal Obligation and the refunding of the Academy's existing indebtedness.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

The Academy will execute and deliver an environmental indemnification agreement to be executed contemporaneously with a future advance mortgage from the Academy (collectively, the "Mortgage") in favor of the Trustee as additional security for the Bonds.

In rendering this opinion, I have relied upon the opinion, dated today, of Collins & Blaha, P.C. counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability of the Financing Agreement, Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture has been duly authorized, executed, and delivered by the Authority and constitutes a valid and binding agreement of the Authority enforceable in accordance with its terms.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds, the Indenture, and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely yours,

MIKE COX
Attorney General

____
Assistant Attorney General

____
Assistant Attorney General

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EXHIBIT G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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[FORM OF CONTINUING DISCLOSURE AGREEMENT]

$__________
Michigan Public Educational Facilities Authority
Limited Obligation Revenue and Refunding Bonds
(Black River Public School Project)
Series 2006

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Black River Public School (the "Academy"), a Michigan public school academy, in connection with the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of its Limited Obligation Revenue and Refunding Bonds (Black River Public School Project) Series 2006 in the aggregate principal amount of $________ (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture (the "Indenture") dated as of July 1, 2006 between the Authority and Wells Fargo Bank, N.A., a national banking association, as Bond Trustee (the "Bond Trustee") and a resolution adopted by the Authority on June 14, 2006, authorizing the issuance, sale and delivery of the Bonds (the "Resolution"). The Academy covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. (a) This Disclosure Agreement is being executed and delivered by the Academy for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriter in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Agreement shall be deemed to be and shall constitute a contract between the Academy and the Bondholders from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Academy shall be for the benefit of the Bondholders of any and all of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Academy pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bondholder" means the registered owner of a Bond or any person which (i) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of a Bond for federal income tax purposes.

"Dissemination Agent" shall mean the Academy or the person the Academy has appointed in writing to act as Dissemination Agent on behalf of the Academy and who has provided a written acceptance of such appointment with the Academy.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

"National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories approved by the SEC as of a recent date are set forth in EXHIBIT A.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

"Official Statement" means the final Official Statement for the Bonds dated July __, 2006.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

"Project" means the Project described in the Official Statement.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12 (17 CFR Part 240, §240.15c2-12) promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guides or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the United States Securities and Exchange Commission

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"State Repository" shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Agreement, the only State Repository and its address and telephone numbers are as follows:

Municipal Advisory Council of Michigan
1445 First National Bank Building
Detroit, Michigan 48226-3517
Tel: (313) 963-0420
Fax: (313) 963-0943
http://www.macmi.com
Email for filings: mac@macmi.com

SECTION 3. Provision of Annual Reports.

(a) Each year, the Academy shall provide, or shall cause the Dissemination Agent to provide, not later than the date six months after the first day of the Academy's fiscal year, commencing with the Academy's Annual Report for its fiscal year ended June 30, 2006 to each Repository an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure

Agreement. Not later than 15 business days (or such lesser number of days as is acceptable to the Dissemination Agent if the Dissemination Agent is other than the Academy) prior to said date, the Academy shall provide the Annual Report to the Dissemination Agent (if other than the Academy). Currently, the Academy's fiscal year commences on July 1. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by specific reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that if the audited financial statements of the Academy are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Academy shall be included in the Annual Report.

(b) If the Academy is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Academy shall cause the Dissemination Agent (if other than the Academy) to send a notice, in a timely manner, to each National Repository or the MSRB and to the State Repository, in substantially the form attached as EXHIBIT B.

(c) If the Academy's fiscal year changes, the Academy shall cause the Dissemination Agent (if other than the Academy) to send written notice of such change to each National Repository or the MSRB and to the State Repository, in substantially the form attached as EXHIBIT C.

(d) The Academy shall (or if the Dissemination Agent is other than the Academy, shall cause the Dissemination Agent to) determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and the State Repository; and, if the Dissemination Agent is other than the Academy, the Dissemination Agent shall file a report with the Academy certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(e) In connection with providing the Annual Report, the Dissemination Agent (if other than the Academy) is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The Academy's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Academy for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data of the same general nature as that contained in Exhibit A of the Official Statement (i) in Table 2 "Rate of Retention by Academic Year," (ii) in the historical enrollment by grade portion of Table 3, (iii) in Table 8 "Student Membership and Foundation Grant Revenue," (iv) under the section title "Historical and Projected Revenues and Costs"; and (v) under the section title "Net Debt Service and Coverage"; provided, however, that the Academy is not required to report the foregoing information or data to the extent it is included in the audited financials of the Academy.

The Academy's financial statements shall be audited and prepared pursuant to State laws, administrative rules and guidelines in accordance with GAAP as applicable to governmental units such as the Academy.

Any or all of the items listed above may be included by specific reference to other documents that previously have been provided to each of the Repositories or filed with the SEC. Notwithstanding the foregoing, if the document included by reference is a final official statement, it need only be available from the MSRB. The Academy shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Academy covenants to provide, or cause to be provided, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of Bondholders;

(viii) Bond calls;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds; and

(xi) Rating changes.

(b) Whenever the Academy obtains knowledge of the occurrence of a Listed Event, the Academy shall as soon as possible determine if such event would be material under applicable federal securities laws; provided that any event under subsections (i), (viii), (ix), (x) or (xi) above (only with respect to any change in the rating on the Bonds) will always be deemed to be material.

(c) If the Academy determines in the exercise of its best judgment in good faith that the occurrence of a Listed Event would be material under applicable federal securities laws, the Academy shall promptly cause a notice of such occurrence to be filed with each National Repository or the MSRB and with the State Repository, together with a cover sheet in substantially the form attached as EXHIBIT D. In connection with providing a notice of the occurrence of a Listed Event described in subsection (ix), the Academy shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the Academy), solely in its capacity as such, is not obligated or responsible under this Disclosure Agreement to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The Academy acknowledges that the "rating changes" referred to above in subsection (xi) may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the Academy is liable, except for any indebtedness upon which the rating is based solely on the rating of the provider of credit enhancement upon such indebtedness.

(f) The Academy acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the Academy does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Termination of Reporting Obligation.

(a) The Academy's obligations under this Disclosure Agreement shall terminate upon the legal defeasance of the Indenture or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Agreement, or any provision hereof, shall be null and void in the event that the Academy (i) receives an opinion of Securities Counsel, addressed to the Academy, to the effect that those portions of the Rule, which require such provisions of this Disclosure Agreement, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to each National Repository or the MSRB and the State Repository.

SECTION 7. Dissemination Agent. The Academy from time to time, may appoint or engage a Dissemination Agent or Agents to assist it in carrying out its respective obligations under this Agreement, and may discharge any such Agent or Agents, with or without appointing a successor Dissemination Agent or Agents.

SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement may be amended, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(i) if the amendment or waiver relates to the provisions of Section 3(a), (b), (c), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in identity, nature or status of the Academy, or type of business conducted by the Academy or in connection with the Project;

(ii) this Disclosure Agreement, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver either (A) is approved by the Bondholders in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of the Bondholders, or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Agreement, the Academy shall describe such amendment or waiver in the next Annual Report and shall include an explanation of the reason for such amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Agreement, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Agreement, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the Academy, or the Dissemination Agent (if other than the Academy) at the written direction of the Academy, to each National Repository or the MSRB and to the State Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Academy from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Academy chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Academy shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Failure to Comply. In the event of a failure of the Academy or the Dissemination Agent (if other than the Academy) to comply with any provision of this Disclosure Agreement, any Bondholder may bring an action to obtain specific performance of the obligations of the Academy or the Dissemination Agent (if other than the Academy) under this Disclosure Agreement, but no person or entity shall be entitled to recover monetary damages hereunder under any circumstances, and any failure to comply with the obligations under this Disclosure Agreement shall not constitute a default with respect to the Bonds or under the Indenture. Notwithstanding the foregoing, if the alleged failure of the Academy to comply with this Disclosure Agreement is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than a majority of the aggregate principal amount of the then outstanding Bonds must take the actions described above before the Academy shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Agreement.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Academy, the Academy, the Dissemination Agent, the Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Agreement, and, in the sole determination of the Academy or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the Academy or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of such information and notices.

SECTION 14. Additional Disclosure Obligations. The Academy acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the Academy, and that under some circumstances, compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Academy under such laws.

SECTION 15. Optional Filing with Texas Municipal Advisory Council. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Texas MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas MAC dated September 7, 2004.

SECTION 16. Governing Law. This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

BLACK RIVER PUBLIC SCHOOL

By:____

Its: ____

Date: July __, 2006

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

The nationally recognized municipal securities information repositories approved by the Securities and Exchange Commission as of July __, 2006 are set forth below:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street; 15th Floor
New York, New York 10038
Phone: (212) 771-6999; (800) 689-8466
Fax: (212) 771-7390
http://www.FTID.com
Email: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

EXHIBIT B

NOTICE TO EACH NATIONAL REPOSITORY OR
THE MSRB, TO THE STATE REPOSITORY AND
TO EACH ADDITIONAL DISCLOSURE RECIPIENT,
OR FAILURE TO FILE ANNUAL REPORT

Name of Academy:	Black River Public School
Name of Bond Issue:	Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project) Series 2006
Date of Bonds:	July __, 2006

NOTICE IS HEREBY GIVEN that the Academy has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of its Continuing Disclosure Agreement with respect to the Bonds. The Academy anticipates that the Annual Report will be filed by ______________________.

BLACK RIVER PUBLIC SCHOOL

By:____

Its:____

Dated:__________________________

EXHIBIT C

NOTICE TO EACH NATIONAL REPOSITORY OR
THE MSRB, TO THE STATE REPOSITORY AND TO EACH ADDITIONAL DISCLOSURE
RECIPIENT, OF CHANGE IN ACADEMY/ACADEMY'S FISCAL YEAR

Name of Academy:	Black River Public School
Name of Bond Issue:	Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project) Series 2006
Date of Bonds:	July __, 2006

NOTICE IS HEREBY GIVEN that the Academy's fiscal year has changed. Previously, the Academy's fiscal year ended on ___________________. It now ends on ______________________.

BLACK RIVER PUBLIC SCHOOL

By:____

Its:____

Dated:___________________________

EXHIBIT D

ANNUAL FILING COVER SHEET

This cover sheet and annual financial information update and/or annual audit should be sent to all Nationally Recognized Municipal Securities Information Repositories, the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B) and to each Additional Disclosure Recipient.

Academy, Academy and/or Other Obligated Person's Name:

____

Academy's Six-Digit CUSIP Number(s):_________________

or Nine-Digit CUSIP Number(s) to which this material event notice relates: ____________________________

Number of pages of (including cover sheet):_______

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:____

Name:____

Title:____

Employer:____

Address:____

City, State, Zip Code:____

Voice Telephone Number (____)_____________________

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MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY • Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006

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